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EDITORIAL—SOME HIGHLIGHTS

I. General Economic Scene

State :

Tamil Nadu—Economic Appraisal 1974: This fifth annual publication by the State government, Tamil Nadu—Economic Appraisal 1974 placed before the legislative assembly in mid August which was 2 months earlier than last year's (See Vol. III pages 771-773) reviews the State performance for 1972-73, with some references in the case of industrial production, employment, electricity, roads, motor vehicles, banking and State finance that cover the calendar year 1973. The two volumes provide a mine of information on the state of our economy, particularly the 95 tables set forth in Volume II. 1972-73 was a poor year for the State, the State domestic product at 1960-61 prices declining by 0.2 per cent and the per capita income declining by 2.1 per cent (in both the State performance was lower than that of the Country which were 0.4 per cent and 1.8 per cent respectively). The decline in the State product and per capita income was due to the—4.2 per cent decline in the agriculture sector and while its share in the total State product has declined from 52 per cent in 1960-61 to 40.9 per cent in 1972-73, the employment profile in the State has not changed, as seen in table 9.1. The review attributes the poor agricultural performance to the weather, shortage of fertiliser and the power cut. Table 3.1 on the rainfall does not sustain the weather explanation, the fertiliser decline is a one time affair as shown in the table on page 16 of Vol. I and the power shortage did not affect the diesel operated pumpsets. There are other factors that should be examined and acted upon. The net sown area (table 3.2) declined, with wide variation in multi-cropping practices as between districts (table 3 3) and a steady decline in area sown (table 3.4) and a continuing fall in the output (table 3.7) in the case of cholam, cumbu, ragi and redgram. It is against this situation that the programme to intensify coarse grain and tapioca production (See last issue Vol. IV, page 547) becomes urgent. One of the impressive developments is the increase in commercial bank credit to agriculture which increased from Rs. 1.23 crores in 1960-61 to Rs. 58 crores in 1972-73, the details of which are set forth in table 8.5 in Vol. II. The animal husbandry table 3.10 is dated, which Vol. I tries to update showing an unsatisfactory situation. The fisheries' performance in table 3.11 is very poor, with only a 20,000 tonnes increase in marine fish. Another area needing attention is forestry where a decline of 114 sq. km in an already sub-optimal situation is registered as also a quantitative decline in all forest products. The industrial record which rose by 2.2 in 1972 declined sharply by 11.9 per cent in January—September 1973. In fact in table 4.1 only 17 out of 46 selected industries are shown with an increased output in 1972 and in table 4-2, 34 out of 51 industrials registered a decline in their production index. The major reason for this decline was the 75 per cent power cut analysed in Vol. III of the

Bulletin. Basic goods and capital goods and intermediate goods production declined with a small increase in consumer goods. Against this is registered an increase in the number of registered companies and factories, though their employment trends were sluggish and the value added in the chemical, printing, sugar, rubber and motor cycles and cycles group show a decline (table 4.4). In the power section, an alarming low rate of capacity utilisation is recorded at 35 per cent, with only Pykara, Moyar, Kundha I and II of the 23 hydel and thermal projects using 50 to 68 per cent of capacity. The employment and labour section in both volumes throws little light on the grave problems of unemployment and under-employment in the State. There is a section on under-employment which analyses the situation by area of cultivation upto 2.5 acres it is said to range from 27 to 37 per cent of the work force. The analysis of the educated unemployment statistics derived from the exchanges in table 9.7 totalling 2,86,000 unemployed in 1973 December is carefully done. The greater unemployment of B.Scs over B.A.s and the same levels at M.Scs. and M. A.s shows that the science courses have as little market value as arts courses. In future Appraisal documents more detailed disaggregated employment information and analysis should be attempted. Table 9.10 shows that 1973 was a relatively good year for industrial peace, with a reduction of 1.7 million mandays lost compared to 1972—probably due to the power cut (See Vol. III pages 231 and 470). The tables of price index (10.1 to 10.4) show (a) relatively lower price in the State in 1973, (b) about equal price rises in all rural centres and (c) Coimbatore and Madras registering a lower rise compared to other cities. The education statistics without any information on wastage rates are only of partial value. Table 16 giving inter State socio-economic indicators (26) is of value and should be subjected to economic analysis. It shows Tamil Nadu as the second most urbanised, less rural, literate, among the top 3 in per hectare production of cereals and sugar, consumption of electricity, electrified villages and the fourth in factory employment, per capita industrial output, banking offices and bank credit wilh a serious lag in its dependency rate, pulse production, live stock and motor vehicles. It stands fifth (after Punjab, Haryana, Maharashtra and Gujarat) in per capita income.

Supplementary Estimates and State Loans: At the August session of the Legislative Assembly, the Chief Minister introduced supplementary estimates for 1974-75 which would raise Rs. 14 crores in a full year and raise around Rs. 6 crores for the remainder of this year. The bill for reintroduction of total prohibition from September 1st, 1974 was adopted involving a loss of Rs. 56 crores in revenue. Also horse racing in the State is to be abolished, after April 1975 involving a loss of Rs. 2 crores per annum in revenue. Among the supplementary demands approved were (a) Rs. 1 crore for water supply schemes (b) 71.5 lakhs for setting up the Transport Development Corporation and construction of an express bus terminal in the city (c) Rs. 3.57 lakhs for monthly pensions to those who suffered from the anti-Hindi agitation, (d) Rs. 30 lakhs for new sugar co-operatives and (e) Rs. 7.22 lakhs for a new fire service station. Against these revenue losses and expenditures, the new taxes are; (i) increase in the multi point sales tax from 3.5 to 4 per cent with exemptions for fertilisers, pulses and oil, and rise in single point tax from 7 to 8 per cent (ii) increase in the purchase tax on sugar cane from 7 to 12 per cent, (iii) rise in sales tax on petrol from Rs. 150 to Rs. 218 per kilolitre and on diesel by 2 paise per litre (iv) a rise in the motor vehicles tax and (v) revised

rates of show tax which as originally proposed was to increase from Rs. 5-12.5 to Rs. 25-Rs. 150 but which after discussion with the trade was fixed at Rs. 5-27.5 per show and an additional 5-20 paise surcharge per ticket. This supplementary budget exempts wage goods, but its total effect—the increased sales tax on all other goods and the higher tax on petrol and diesel will push up prices. The more serious problem for the State is the loss of Rs. 58 crores, at least half of which must be found in administrutive economics. The government reiterated its decision to implement the Annual Plan of Rs. 151.14 crores (the details of which are given in Vol. IV pages 327-329 and repeated in table 15.8 of Vol. II of the appraisal document) despite the Union Planning Commission's insistence that it be Rs. 118 crores.

On August 17, RBI announced 16 states loans for 10 yearsat 6 per cent interest for a total of Rs 205.25 crores plus the usual 10 per cent excess retention, resulted in total subscriptions Rs. 226.59 crores. Tamil Nadu's announced loan was Rs. 16.25 crores, which with the excess retention amounted to Rs. 17.87 crores and allowing for conversion of maturing loans of Rs. 5.29 crores amounted to a net Rs. 12.58 crores. The higher interest rate, the reduction by one year of the term of the loan and the heavier repayment burden reflect market conditions.

Prices and rice distribution: August saw continuing price rise in the State and in the first week of August shortage in rice availability, particularly in Madras city as noted in the last issue (Vol. IV page 527). The consumer index for July rose to 280 with 1960 at 100 and the wholesale food price index for June rose by 87 points to 1908. In the first week of August the State Civil Supplies Department took several measures to ease the rice supply and price situation including (a) supplying 3 kilos a week to 3.65 lakh card holders earning less than Rs. 300 per month at Rs. 2 per kilo for medium variety (up from Rs. 1.40), Rs. 2.30 for fine (from Rs. 1.50) and Rs. 2.50 for superfine (from Rs. 1.60), (b) extending this supply a few days later to Rs. 5.15 lakhs more people earning between Rs. 300 and Rs. 500, (c) supplying to every one through cooperatives and licenced retailers 5 kgs at Rs. 3 per kg, (d) ensuring flow of supplies from the farmers and wholesalers to retail outlets, (e) delicensing 76 retailers and 35 wholesalers for not transacting rice business and (f) establishing a directive for farmers to retain 6 months supplies only for family consumption and conducting raids against hoarding, undeclared stocks and smuggling. The situation eased from mid August, but there are lessons to be learnt. The procurement and distribution machinery needs review and agreement with the Union government on policy. As a result of lifting of inter State restrictions on coarse grains, cumbu, cholam and varagu and flowed out of the State to Maharashtra and Gujarat bringing their prices down and raising Tamil Nadu prices so that in both the places they were selling at Rs. 120 per quintal, making coarse grain eaters in the State to switch to rice. Andhra Pradesh which is also a rice sulplus State has faced similar problems. There is need for a food policy for the South to be discussed and established,

Power: Due to a fairly good storage position of the State's hydel reservoirs and despite the 10 day Neyveli junior engineers' strike the government on August 3 reduced the power cut from 60 per cent to 40 per cent for HT and LT consumers, reduced the demand cut for industries from 40 to 15 per cent, and as from August 12 further reduced the cut from 40 to 30 per cent, raising the quota for HT and LT consumers. With further improve-

ment in the hydel position, and the resumption of 300 MW generation after the ten day closure of Neyveli, the power cut was completely lifted on domestic, agriculture and industrial consumption as from August 27. Power rates are being increased because of the doubling of the purchase price of Kerala (from 4.5 paise to 8 paise per unit) and Neyveli (from 5.9 to 8.48 paise per unit), the Rs. 9.25 crores cost of oil conversion of Neyveli (27 paise per unit), the Rs. 10.5 crores fall last year in revenue of the TNEB due to the power cut and the higher unit costs of the thermal stations. On top of these, are the avoidable low capacity use of both hydel and thermal stations, and the large (18 per cent) transmission losses, the mounting arrears computed at over Rs. 1 crore and thefts. The Board needs to be reorganised, the separate generation corporation speedily set to work the Rs. 82 crore master plan to reduce transmission losses should be implemented and priority given to implementing the Fifth Plan power projects—Servalar, Tuticorin, and Mettur for which this year's cost is Rs. 62 crores, of which only Rs. 32 crores are at hand. The fifth unit of 110 MW at Ennore will be commissioned next June and in addition the State's power needs call for Union Government approval of the second mine cut at Neyveli, Cholathipuzha, lower Mettur, Paralayar, Shanmughanadhi, upper Amaravathy, upper Thambaraparani Hydel Schemes and Mettur Thermal.

For the Country there has been similar improvement in the power situation in Punjab, Haryana, Maharashtra and Gujarat owing to the rains. With the improvement of the storage in the Linganmakki reservoir, Karnataka reduced its power cut as of August 12 from 40 to 30 per cent for HT users and to 10 per cent for defence industries. The power situation in West Bengal, however, has worsened even after power rationing from August 12, with a generation of 650 MW (last year it was 750 MW) against the 1,530 MW installed capacity. Maintenance is poor, spare parts unavailable and management is inadequate. All State Electricity Boards are in a similar position. The UP board paid a daily demurrage of Rs. 1 lakh for Rs. 7 crores equipment unlifted in various stations. Financial constraints imposed by the Union Planning Commission have slowed down project work at Obra, Harduaganj and others, and BHEL equipment was unreceived because of delay in payments. Acting on the findings of the cost escalations committee, the Union Minister of Power has advised all States to use their resources to complete projects, not to undertake new projects unless funds are available and assured and divide new projects into two phases, (a) a technical feasibility study and (b) a detailed engineering report. In view of the growing difficulties in inter State power disputes such as Maharashtra and Madhya Pradesh with regard to power supply to Korbs and the Union Government and Karnataka on supply to Indian Aluminium, the Union Government is moving in the direction of setting up the Central Electricity Authority which will decide on inter State priorities and problems and force the separation of generation and distribution (See Vol. IV pages 409 and 528). The basic problem however is the urgent need to increase power generation in each State and the Country.

Land Legislation: The Cultivating Tenants Bill (See Vol. III page 621) has after over a year been returned to the Speaker of the Legislative Assembly by the President (Union Government) because the right of the tenant to purchase from the owner the land that he is cultivating has been queried by religious and charitable institutions, particularly clauses 15 to 26 which set a ceiling of 10 standard acres

for resumption by them. It is regretted that the bill so badly needed and adopted after thorough study should be further delayed. It has been referred to a joint select committee of the Assembly and Council. The Tamil Nadu Industrial Development Bill which overcomes the present time lags and empowers the government to acquire land for industrial purposes or for specified development of any Industrial Corporation was adopted by the August Session of the Assembly.

Water: The Cauvery waters use by Kerala, Karnataka and Tamil Nadu is now ready for solution at the meeting of the 3 Chief Ministers and the Union Minister of Irrigation at Bangalore in September. Meanwhile the State faces a grave long term problem in adequate water supply for domestic, industrial and agricultural uses. The State's water resources are 2,486 cubic kilo metres surface flow, 15,000 million cubic metres underground water of which 10,000 million cubic metres are being extracted and 15 cubic metres imported from Andhra Pradesh, Karnataka and Kerala, with 300 million gallons a day for domestic, 100 million gallons a day for industrial and the rest for agricultural uses. By the 80s, the demand in the State and Madras city will double and there will be a water famine unless (a) the current waste of 25 per cent of water use is stopped (b) a programme for re-use of waste water is launched similar to that in Bombay and (c) the potential of the Southern States is fully utilised. For Madras city which is passing through its periodic scarcity (30 million gallons per day against a needed 60 million gallons which will increase to 100 millions by 1980), an agreement with Andhra Pradesh to tap the Krishna water (the Somasila project), in addition to Veeranam stage II must not be neglected.

Hill Areas Development: Under the Hill Areas Development Programme, the Nilgiris has developed a five year plan for Rs. 12 crores, with a Rs. 3 crores first stage programme. In the Gudalur area 27 check dams at a cost of Rs. 24 lakhs are to be constructed to irrigate 2,000 acres and bring 6,000 acres under tapioca and run a starch factory. Also, the growing of ginger and extension of areca nut plantations are to be developed in the area. The plan will introduce exotic and high yielding milch cattle so that its milk production could be increased from 15,000 litres a day to 25,000 litres to be followed by 2 chilling plants and milk powder factory. There is to be an extensive Rs. 3 crores roads programme connecting the 600 hamlets and 49 villages in the district.

Shipping, Transport and Communication: Shipping services at the Madras port are to be improved with berthing of an SCI vessel in the port as well as with the use of LASH vessels. The shipping conferences need to extend similar services to meet the growing demand for shipping services by the State's exporters. The transport corporations in the State are setting up a central service to stock and supply spare parts for the State's transport vehicles. This will ensure a sound inventory control which is planned to be computerised. Also a Rs. 62 lakhs Road Transport Research and Training Institute is to be set up to promote fuel economy. The telephone services in the State are being improved and expanded, with new exchanges in 9 new centres in the city, a 3,000 line cross bar exchange for the centre of the city and STD and improved Telex facilities between Madras and all other capital cities, starting with Delhi. Plans should now be developed for use of the Satellite which will revolutionise inter and intra State communications. The Madras T. V. station will have its tower erected by next April and will start broadcasting programmes by July. This is a year later than planned but the delay can and

should be used to prepare good programmes and improve technical functioning of the studies.

National:

Fifth Plan: For the present, the finalising of the Draft Fifth Plan has been postponed to give priority to fighting inflation and because of the difficulty in forecasting prices and costs and computing the plan resources needed. The additional resources to be mobilised in the Fifth Plan were placed at Rs. 6,850 crores (Rs. 4,300 crores Centre and Rs. 2,550 States). The intensive tax effort by the Union and State governments for this year will yield Rs. 4,228 crores for the Union government and Rs. 2,500 crores for the States which, even deflated by the 30 per cent price rise is unique. The next step for the Union Planning Commission is to work on the Annual Plan for 1975-76 which will be around 10 per cent above this year's plan performance and to tighten up its monitoring and evaluation system. In this year's Annual Plan, the Rs. 200 crores economy has fallen to the extent of Rs. 150 crores on Plan expenditures, leaving untouched the core sector. The Annual Plans of the States—already attenuated have also not been cut. In return, the State governments have been asked to raise additional resources particularly from the agricultural sector and reduce non-developmental expenditures to save the first year of the Fifth Plan.

Supplementary Demands: The Supplementary demands presented by the Union Finance Minister to the Lok Sabha following the Supplementary Budget (See last issue, Vol. IV page 534) reveal the following additional expenditures: on food subsidy it will be Rs. 225 crores instead of the budgetted Rs. 100 crores: on defence it will be Rs. 1,990 crores instead of the budgetted Rs. 1,915 crores: power Rs. 128.90 crores instead of Rs. 121 crores, fertilisers Rs. 203.6 crores instead of Rs. 163 crores, petroleum Rs. 53 crores instead of Rs. 35 crores, shipping Rs. 173.6 crores instead of Rs. 153 crores, paper Rs. 21.25 crores instead of Rs. 13.25 crores and steel Rs. 219 crores instead of Rs. 162 crores. This additional expenditure of Rs. 352.70 crores is exclusive of of Rs. 112 crores for further DAs, Rs. 109 crores which is the expected rate of the Railway deficit after the additional levies in its supplementary budget (see next section) and the Rs. 126 crores budget deficit announced in February (See Vol. IV page 263). This gives a total of Rs. 699 crores against which Rs. 123 crores are to be raised in the supplementary budget. Another Rs. 200 crores are to be found by reducing the plan and non plan expenditures, leaving at this stage a budget deficit of Rs. 376 crores. This will grow in the course of the year and calls for further economies and rigorous scrutiny of administration.

Railway Supplementary Budget: The Supplementary Railway Budget presented to the Lok Sabha in August was based on a series of negative elements since the presentation of the railway budget in February (See Vol. IV pages 265-266): (a) railway earnings for the quarter ending June were Rs. 92.45 crores short of the budget forecast, with 11.79 million tonnes less of freight traffic and 150 million less of passengers, resulting in the years's estimated earnings declining by Rs. 140 crores: (b) the 3 DAs this year cost Rs. 28.50 crores (c) the Miabhay Award cost Rs. 28.50 crores, which with additional strike expenses all add up to additional expenditure of Rs. 106.81 crores. To meet the revenue shortfall of 140 crores and additional expenditures of Rs. 106.81 crores the supplementary budget imposed additional levies of 25 per cent on air conditioned coaches, 33.33 per cent of

first class, 20–25 per cent on second class tickets and 16 to 22 per cent increase in railway freight all of which will bring in a revenue of Rs. 140.07 crores which is larger than the February budget revenue of Rs. 136.38 crores. In a full year the new rates will bring in Rs. 235 crores. The two comments on this issue are first that in spite of the so called economy drive, there is room for much more economics before imposing these increased freight and second class fare hikes and second, the freight increased will add to the inflationary forces in the Country by at least 5 per cent and will bear very heavily on industries in the South, which will pay the discriminatory 22 per cent increases. Far from further increasing the rates, these increases must be cut back as soon as possible and if necessary run a deficit which is less inflationary and discriminatory.

Prices and anti-inflationary measures: July witnessed a further price rise of 2.8 per cent, with the index standing at 317.7 on July 27. The monthly average stood at 315 for July involving a 27 per cent increase in the year July 1973–July 1974. In the first four months of the current year the price rise has been 11 per cent. The poor majority have been hard hit with the index of food articles rising by 4.2 per cent in July, while industrial raw materials have risen by 2.2 per cent and manufactures by 1.7 per cent. During July monetary expansion slackened by Rs. 138 crores at Rs. 11,249 crores on August 2 over the end of June at Rs. 11,387 crores. For the year ending August 2 the total money supply grew at 14.3 per cent compared to 17.8 per cent during the previous 12 months, mainly because the currency component expanded by 10.6 per cent compared to the previous year's 17.4 per cent. Also there has been a return by the banks of Rs. 313 crores during the past 3 months to the RBI. On the other hand, money supply with the public registered an increase for the year of Rs. 711 crores which is about what the 2 general and 2 railway budgets plan to mop up (Rs. 720 crores). While government's borrowings through treasury bills during the last 3 months has increased by Rs. 198 crores, commercial bank borrowings fell by Rs. 154 crores and bills discounted by Rs. 86 crores, and their cash balances with RBI have risen by Rs. 103 crores. The RBI anti-inflationary measures are beginning to bite. Following the Lakshminarayanan Committee recommendations, it issued a further guideline to commercial banks in August end, setting credit limits to any single large borrower at 1.5 per cent of his deposits, above which credit will be on a participation basis, and for exchange of information and joint reviews in cases where several banks have extended credit to a firm. In this connection it has also set up a committee under the chairmanship of Mr. P. L. Tandon to recommend the various needed measures for follow up and supervision by the banks of the credit extended by them. Also RBI at the end of August raised interest rates on co-operative deposits to 5½ per cent and their lending rates to 15 per cent and regulated the activities of nidhis which are to have their own law. The government took further action on the inflation front in August; (a) All the 3 ordinances-dividends wage and DA increases, and compulsory deposits were enacted into law in August. (b) It announced in the Lok Sabha that it will propose amending the constitution to empower it to arrange for preventive detention of smugglers and use of MISA for this purpose. In the first half of 1974 it reported seizing Rs. 28.7 crores of smuggled goods. (c) It proposed restriction on construction of luxury houses. (d) It banned the use of cement for building offices, cinemas, hotels, restaurants, roads and other miscellaneous

items. (e) It intensified its searches and drive against tax evaders and black marketeers which amounted to 538 in 1973-74, and above half that already in 4 months this year. As a result of the government's acquiring undervalued property (4,675 notices and 33 orders), it claims that black money in real estate has fallen from 50 to 30 per cent, (f) It has set a 7 day limit to clear railway wagons, after which the goods will be sold in co-operatives. As on August 22 in the Northern Railway sheds 661 wagons containing food grains, cement, soap, matches, paper, tyres, iron and coal, rubber, foam etc., and goods from 302 unloaded wagons were lying in sidings unclaimed by the traders who wished to maintain shortages and push up prices. (g) It also announced in the Lok Sabha that it would have 9 million tonnes of food grains for public distribution consisting of 5.8 million tonnes of wheat, 1 million tonnes of coarse grains and 2 million tonnes of rice. The major part is imported, 1.7 million tonnes of wheat from last year's Soviet loan, 3.2 million tonnes of wheat to be imported this year, along with 0.7 million tonnes of milo. The effects of these measures to reduce prices were not as yet visible. Parallel action on the production front is needed to combat inflation.

Land Reform Constitution Bill: The Lok Sabha in August passed the 34th Constitutional Amendment Bill which insulates 20 land ceiling and land tenure reform laws of the States from litigation. While the Tamil Nadu Act abolishing intermediary tenures is included, its ceiling law is not included because it has not used the general definition of the family as the unit for the ceiling. Now land reforms should be speedily completed and the small farmers provided with inputs to make their farms increasingly productive.

National Production Front:

Steel: The tight steel position continues internally and internationally where world steel production increased by only 2.2 per cent in the first half of 1974, mainly due to UK and Japan declines. Within the Country IISCO production for July improved in both steel ingots (42,087 tonnes) and pig iron (60,210 tonnes) TISCO production in the first quarter also rose saleable steel by 15.31 per cent, and despatches by 3.4 per cent. But the problem of steel accumulation in various plants continues at 3.69 lakh tonnes as at August 1 – Bhilai has the highest with 1.69 lakh tonnes, TISCO with 66,100 tonnes, Rourkela 56,681 tonnes, Durgapur 47,100 tonnes and IISCO with 30,275 tonnes. The co-ordinated action with the railways it is hoped will quickly resolve this continuing problems. In this connection the government decision to allot steel on a six monthly basis to 800 major SPC allottees with the balance to be provided through stock-yards, might be reviewed. The internal reorganisation of the plants the constitution of Durgapur steel and alloy into a single SAIL company, converting its government loans into shares, Bhilai and Rourkela also being formed into separate companies under SAIL, the allocation of Rs. 550 crores during the Fifth Plan to Bokaro to bring its production to 4 million tonnes—all these were completed in August and now the production results are awaited. SAIL's demand for a further price rise in steel must be denied as that will feed inflation. SAIL must concentrate on improved production and on exporting steel in view of the restrictions on building construction. Also the Union Minister of Steel's proposal for 1,000 mini steel plants must be examined in a long term perspective as a means of meeting steel needs beyond the capacity of the present large plants. This

is one of the tasks of the newly established cabinet committee on steel.

Crude: The Union Minister of Petroleum's statement on August 20 in the Lok Sabha revises the import figures for crude given in the last issue, Vol. IV, page 537, as being 14.07 million tonnes for 1973-74 which is reduced to 13 million tonnes at a cost of Rs. 858 crores for this year plus 31 million tonnes of petroleum products at a cost of Rs. 262 crores. This means that except for the Madras Refinery and the Hindustan Petroleum refinery all other refineries will be working below capacity, the 2 million tonnes increased capacity by the end of the year unused and a changed product pattern established wherein they will be producing more of naphtha and less of higher priced petrol, more of HSD and less of higher priced kerosene, resulting in large losses amounting to Rs. 12.5 crores a month. There will have to be a price rise in kerosene and HSD to compensate this accumulating loss. Meanwhile Burmah Shell has asked for a further price rise for its light Iranian crude over that reported in the last issue from $ 9.75 to $ 9.90 per barrel from July 15. With Caltex asking for $9.75, the price gap between the company imports and those of the government is being closed and is loading to strengthening the case for the take over of both Burmah Shell and Caltex by government, starting with the Assam Oil Company, BOC's subsidary as announced in the Lok Sabha which will also relieve the Country of their profit repatriation. For the present the strategy to meet the country's demand for crude and its products include (a) the large scale exports of naphtha—in May, Cochin exported 18,000 tonnes to Japan—with the reduced production of petrol. (b) the export of Bitumen with reduction in road building because of the cuts in the Fifth Plan: (c) a lower internal production of furnace oil, which can be imported relatively cheaply and some increase in production of kerosene and HSD, while at the same time economising in the use of furnace oil both by the additional 5 per cent cut announced in August and through IOC's fuel efficiency project service operating from Calcutta, Bombay and Coimbatore which instructs firms and trains their staff in fuel efficiency techniques. (d) importing crude from Iran (for this year 3.4 million tonnes) and Iraq on the credit arrangements made with them (See Vol. IV pages 349 and 421) and postponing to next year the balance of 450,000 tonnes to be imported from Saudi Arabia on a cash basis: (e) further work on the IIT Delhi patent for the use of ethanoil as a complete substitute for petrol in cars. (f) the development of substitutes for petroleum based lubricants such as the IOC tribology division demonstration on lubricants exracted from castor seed, palm and coconut and the resulting synthetic lubricants being superior to petrol based ones. In fact some of the lubricants that we import are synthetic, made from our castor seed exports (g) intensified oil drilling to increase indigenous crude production. In early August oil was struck in a well in Galaki in Assam producing 150 tonnes a day. Off shore oil exploitation in the Bengal and Kutch basin was started in August by the two U.S. firms. Similarly ONGC has resumed off shore exploration in the Cauvery basin and Coast starting with a hydro-metrological and spanker sway together with a geological exploration with digital seismic data in Karaikal, Mandapam, and Paravakottai and (h) the intensified use of coal energy and the 15 year nuclear power programme which will produce 4,720 MW of power to relieve our heavy dependence in fossil fuel.

Coal: Coal despatches for April-July this year averaged 13.1 lakh tonnes a

month which was 1.8 lakh tonnes larger than that for the same period last year. As a result the railways and thermal stations are well stocked. Now the problem for the users is with the high ash content of the coal and its size. With the quantity problem under control, CMA must organise checks at the collieries so that despatches conform to consumer specifications. This together with use of adequate equipment will also solve the size problem. But the problem of quantity is a continuing one, as in response to the oil crisis, the coal target for the Fifth Plan has been raised from 80 million tonnes in 1973-74 to 140 million tonnes and is likely to be further increased to 160 million tonnes. This calls for sound management of CMA, modernisation of the mines, building up of pithead stocks, rationalising and reducing the number of sidings and loading points and an integrated operation wlth the Eastern and other railways and some change in the unit train concept used, as pointed out at the August Calcutta Seminar. To pay for these improvements after the inflation has been dampened there will have to be a rice in coal prices which are among the lowest in the world.

Sugar : The report of the Bhargava Commission on sugar to which references were made in Vol. III pages 98-99, 176, 246, and Vol. IV page 278, 408 and 483 was finally released by the government and placed on the table of the Lok Sabha. Of its ten major recommendations, the government has so far accepted one and is examining the others. Its recommendations included : (a) the excess realisation of the sugar factories from "free sale" of sugar should be shared 50:50 with cane growers. This, the government announced, will be applied from the next sugar season (b) On nationalisation of the industry five Members oppose nationalisation and recommend take over of 24 sick units which will require Rs. 7.37 crores for compensation, Rs. 18.4 crores for their modernisation and Rs. 14.61 crores for modernisation of all public and private sector units. On the other hand 5 members of the commission recommend nationalsation of all private units because they are not trusted by cane growers, the commensation required will be Rs. 74.17 crores and rehabilitation cost Rs. 65.87 crores. The commission also records the fact that the States wish to run the nationalised factories themselves. (c) The marketing of sugar upto the level of wholesale trade should be nationalised, funding possible losses from exports. (d) The board of management of each factory should include labour and cane growers' representatives. (e) A National Sugar Authority to regulate and operate the sugar industry through State level sugar corporations should be established. (f) The yields per acre of cane and increase in the area of cultivation through fixing a remunerative cane price should be aimed at. (g) The R & D Institutes at Pusa and Padigaon should be strengthened the Sugar Cane Breeding Institute at Coimbatore enlarged, and a Sugar Cane Research Institute for the tropical areas in the South which face different problems from the sub-tropical areas should be established, (h) In view of the fast growing sugar cane industry in the South, a Sugar Technological Institute should be established in the South. (i) A combined effort by the State governments, research institutes, growers and factories should ensure increasing the per hectare cane yield from 47.7 tonnes to 63 tonnes so that by 1985-86, 23.6 crore tonnes of cane are produced. (j) Licensing of new units, dispersal of units and expansion of existing ones should aim at sugar production of 95 lakh tonnes by 1985-86. The major recommendation concerning nationalisation faces two problems—the large amount needed for compensation at a time of tight resources position and the poor

record to date of nationalised industries banks, wholesale trade in wheat and coal. It could be approached in stages – first taking over the sick units and on the basis of management experience and that of the Sugar Authority and take over of marketing, the larger problem could be faced. Meanwhile the immediate task is to move towards the 57 lakh sugar target for the Fifth Plan. For the first 9 months of 1973–74 only 38.75 lakh tonnes have been produced and while the factories blame climate and pests for the shortfall, the Union minister of industry points to the neglect of the cane-growers and the large arrears in the payments due to them as being the main reason. Involving the cane growers in the management and profits of the units, increasing the crushing season to 200 days and raising the recovery rate from 10 to 12 per cent are some of the immediate means of increasing production.

Newsprint and Paper: Newsprint availability improved in August and the cut in newsprint allocation of 40 per cent (see Vol IV page 486) was on August 13 reduced to 30 per cent, due to the increased supply of 45,000 tonnes by the Soviet Union. In addition newspapers get 7 per cent of white printing paper so that the cut is 23 per cent. For the year, 1.5 lakh tonnes will be imported and with the rise in price (in the U.S. by $2 a tonne) there will be an increased foreign exchange cost of $1 million for the year. The government hopes that the Country will be self sufficient in newsprint by 1980 when the demand will be 3 lakh tonnes and the output of (a) NEPA expanded to 75,000 tonnes per annum. (b) the Kerala unit starting in October producing 80,000 tonnes per annum and (c) 4 units licensed for 2.3 lakh tonnes per annum. On paper supply, the government issued 2 orders in early August, the first, the Paper Control and Production Order regulating the production of paper so that each unit produces at least 30 per cent white printing paper and the second, the Paper conservation and Regulation order which prohibits in some cases and regulates in all cases use of paper for advertisements, printing of calaendrs, diaries, invitation cards etc. Against the capacity of 9.5 lakh tonnes, 7 lakh tonnes were produced in 1973 but with switching from white printing to more profitable types. With these orders, it is hoped that this year there will be an addition of 1 lakh tonnes and next year a further 1.12 lakh tonnes and with some control of distribution, the profiteering and black marketing in paper brought under control.

Drugs: The drug industry whose turnover has increased from Rs. 10 crores in 1947 to Rs. 350 crores in 1973 is facing a crisis, in growing spurious drugs that are being sold and used even in hospitals. In early August, 13 persons died from taking spurious drugs in Kashmir, 13 traders whose stock included Rs. 5 lakhs worth of such drugs and who had sold Rs. 25 lakhs worth of fake drugs to the State Directorate of Health were arrested, six children died in a Bihar hospital because of substandard drugs, West Bengal and other governments withdrew over 1,800 saline, glucose bottles which were spurious. There is need for the government to enter this area more actively, and strengthen and provide the resources for effective functioning of the drug control inspectors and administrators.

Cement, Textile and Chassis: As suggested in the last issue (Vol. IV, page 552) the government on August 1 increased the price of cement to Rs. 21 per tonne with an escalation clause every July to respond to the increase in wages, DA, power tariff, coal and limestone prices. In accepting this recommendation of the tariff commission and the freight pooling arangements recommended, for such use as is

not prohibited, a tonne of cement will now cost the consumer Rs. 21 more plus the 5 per cent increased excise just announced. The bill to nationalise the 103 sick textile mills as from 1st April, 1974 has been adopted by the August session of the Lok Sabha, involving Rs. 68 crores in compensation, Rs. 108 crores in modernisation and liability of Rs. 70 crores to the banks. The mills will be run by the National Textile Corporation on the basis of joint capital participation by the union and the States in the ratio of 51 to 49 (see Vol IV, page 500) and may form subsidiaries for its functioning. There will be no cash outflow this year as the compensation arrangement will take 2 years. In view of the continued small production of cars, and its declining demand, the Union Government is setting up a plant to produce 40,000 trucks a year in order to improve the public transportation. For this year, bus production will increase from 6,000 to 11,000 and with better maintenance by State Corporations, transport service will improve.

Fertilisers: The fertiliser shortage is assuming serious proportions. Against a production target last year of 18 lakh tonnes of nitrogen, production was 10.6 lakh tonnes and looks to be lower this year. The capacity utilisation is falling rapidly in the private sector from 88.6 per cent in 1972-73 to 64.9 per cent in 1973-74 and in the public sector from a low 59.8 per cent to a lower 47.3 per cent. There were bottle-necks—power cuts which affected the UP and Gujarat units, the delay in commissioning new units as in Durgapur and Cochin, labour troubles in all units and technological obsolescence as in Rourkela, Neyveli and Udyog. New projects are coming up as the Trombay unit of FCI with double its present capacity, the 2 plants in Kalol and Kandla with a 1,200 tonnes of urea and 910 tonnes of ammonia per day. But the capacity use problems except for power are capable of being solved and should be. Without it, the increasing price of fertilisers is leading farmers in Punjab, Haryana and Tamil Nadu to lay off use of fertilisers with an inevitable reduction in production. The Union and private sectors must turn to this major issue related to the inflation and scarcity situation of the Country.

Agricultural production: The agricultural production front presented five aspects in August. First the procurement policy which at mid August resulted in a procurement of 17.5 lakh tonnes of food grains compared to last year's 43.5 lakh tonnes is in need of review. The take over of wholesale wheat trade was analysed in Vol. III issues and the problems highlighted: this year's policy of restoring wholesale trade has been even more unsuccessful both in terms of the quantum of procurement and the price which has risen from 79 to 90 per cent. The current review under way, must ensure adequate procurement of a minimum of 12 million tonnes for the public distribution system and a price remunerative to the farmer and within the reach of the poor consumers. Second the Comptroller and Auditor general's report released in August has answered the question repeatedly raised in Vol. IV page 23 of the Bulletin as to what happened to the 1972 Rabi crash programme of Rs. 152 crores for minor irrigation works and Rs. 100 crores for helping drought stricken farmers purchase inputs. The answer in the report is that the Union Government released Rs. 148 crores under the first programme and Rs. 99.9 crores under the second but the areas under wheat instead of increasing by 9 million hectares, increased by only 0.74 million hectares, wheat production by 1.5 million tonnes instead of 8.4 million tonnes, area under rice decreased by 1,82,900 hectares and production by 4 lakh tonnes instead of increasing by 3.5 million tonnes and so on.

This failure of the programme was due to the States shifting their normal tube wells and pumpsets programme to the crash programme, and even so exaggerating their achievements, while the inputs were unavailable and unused. In other words in the best cases the States diverted the funds indirectly to other uses, and in other cases they were misappropriated through various forms of corruption. Third, August witnessed the usual devastation of lives, cattle, houses and agricultural crops as a result of floods which ravaged UP, Bihar, Assam, West Bengal and Kerala and the provisional estimate of the crop destroyed is Rs. 122 crores. Fourth the Kharif crop started off with poor prospects at the start of August but after a delay of 3 weeks, the South West monsoon had been active, sometimes overly active all over the Country, except in Gujarat and parts of Orissa. The late sowing of Kharif wheat and rice will reduce the crop but the rice crop should make up the wheat shortage, so that a kharif yield of 67 tonnes—the same as last year is expected. The Union Agriculture minister has set the target for the coming rabi crop at 30 million tonnes. Finally August also saw 4 ICAR pilot projects to teach farmers the integrated use of water use technology and fertiliser application for increasing rice output, the conversion of farms into orchards in Kashmir without reducing its food production, a rapid development of vegetable acreage in Haryana and an effort by Gujarat and Rajastan to overcome the effects of deficient rainfall and keep up, if not increase, their pulses, oil seeds and coarse grains production.

Exports: The Country's export earnings continue the rising trend. For the first quarter of the current year it was 40 per cent higher than the first quarter of 1973–74 at Rs. 643 crores compared to Rs. 460 crores. But in addition to the quantitative sluggishness of our exports pointed out in the last issue Vol. IV, pages 540-541, the U.N. World economic survey for 1973 shows that our export trade declined from 1.2 per cent to 0.63 per cent of world trade during the last 10 years, though its value doubled from $ 1,626 million to $ 3,123 million. While the value of exports rose by 30 per cent in 1972-73, our share in world trade that year declined by 0.02 per cent. The need for breaking out of our traditional exports to capture a part of the world market stands out. The pressure on the Country's export earnings as well as foreign exchange resources will be high this year. Rs. 1,200 crores will be needed for crude imports, Rs. 400 crores for food grains imports and for fertilisers and other inputs imports another Rs. 600 crores. If export earnings are Rs. 2,000 crores and net aid around Rs. 520 crores the awkward possibility of drawing on our low Rs. 766 crores foreign exchange reserves (without IMF drawals—see Vol. IV pages 430 and 419) can just be avoided. EEC wishes to invest $ 100 million in developing oil cake exports to the community, sugar exports of 5 lakh tonnes this year will earn Rs. 250 crores involving a profit of Rs. 125 crores. 30.000 tonnes of cement has been exported to Bangla Desh and Maldives and a further 4 lakh tonnes are being exported to West Asian Countries. On the export of iron ores there is an attempt to form with Australia and other ore producing Countries an organisation in order that a price more consistent with the price of iron and steel may be established. In this connection India has made its first ore shipment to the U.S. in August to meet an order for 1 million tonnes of ore. The long drawn wagon export order from Yugoslavia (see Vol. III page 21) is now being cleared with a rise in price of the wagons and a reduction in the number of wagons to be exported from 3,600 to 1,300.

Aid: Apart from aid prospects for the current year referred to in the previous section, three aid agreements were finalised in August. With Japan an agreement was signed for a loan of 11,000 million yen (Rs. 31 crores), for meeting the foreign exchange costs of the Bhatinda fertiliser project with a capacity of 2.97 lakh tonnes of ammonia, 5.15 lakh tonnes of urea and 6,600 tonnes of sulphur per annum. With Netherlands a loan agreement for 82 million guilders (Rs. 25 crores) was signed for financing commodities and capital goods imports from that Country for the Country's Plan projects. Also a non-project loan agreement with Belgium was signed for 275 million Belgian francs, 175 million being for import of Belgian goods and 100 million being debt relief. The Belgian loan is for a 30 year period, with a 10 year grace period after which the interest will be 2 per cent.

International:

Bangla Desh: Bangla Desh shared with the Northern Indian States the disastrous floods ravages in August. First indications show that the Country suffered 2,000 deaths, destruction of 80 per cent of the summer rice crop amountting to 2 million tonnes and 8,70,000 houses destroyed. The Government is making special efforts to reach the isolated villages and raise resources for meeting the food shortage. India is responding to the government's request for the supply of good quality of potato seeds, particularly from surplus supplies in UP. The IDBI Rs. 25 crores credit to Bangla Desh is being used for the purchase of wagons and pumpsets from India. One problem that is holding up the speedy delivery of these needed goods is that with continuing rise of lending rates and the low pegged interest rate on export credit, banks are holding back on giving exports both pre-shipment credits and deferred payment credits. Here is a case where the selective credit control policy is not functioning and strengthens the case for an export-Import Bank (see Vol. IV page 429) to ensure normally credit flow for exporters. The Banks are not short of funds for they have offered credit at the normal high rates.

World Monetary reform, oil and prices: There were no direct developments in August to review in the monetary reform field. Towards the end of August, IMF completed its borrowing programme of 2,800 million SDRs ($ 3,400 million) from 7 major oil producers for operating the special oil facility, that is, for re-lending to oil consuming countries who face serious balance of payments problems due to the oil prices. In a further study released in August, the World Bank computes that by 1,985 the OPEC countries would accumulate more than $ 1,000,000 million (which is 10 times the US foreign investment and 100 times its gold holdings). This means that the OPEC Countries who have 10 per cent of the world's population and 78 per cent of oil reserves will have to operate a massive outflow of their accumulating resources and will be in a position to control investments in all countries rich and poor. They are proceeding rather slowly in setting up the OPEC Fund to aid developing Countries—a fund which would be small and insignificant in relation to their mounting oil revenues. One other reaction to this situation is the decision of Kuwait and Venezuela to reduce their oil production by around 15 per cent. This may become more general as consuming countries begin to economise on their oil consumption. Already supply is outstripping demand by 2 to 3 million barrels a day, which makes it difficult to maintain the price rise from $ 1.80 a barrel in 1970 to $ 11.65 a barrel today. Also the 12 industrial nations who met in

Washington in April (See Vol. IV pages 283-284) have now drawn up a plan to share their oil resources in case of a future embargo. For the non-oil producing developing countries, the additional oil and fertiliser import will be $ 3,000 million in 1974 against which the increase in the prices of their exports will be of minor help. That is because the prices of their imports have risen while their export prices which rose by 61 per cent in the last quarter of 1973, fell to 48 per cent in the first 3 months of this year and are estimated to increase by an average around 20-25 per cent for the whole of 1974. For Countries like India the price rise of exports has been of marginal significance because (a) its share of the $ 8,000 million export income gain by all countries was of the order of less than 4 per cent and (b) its traditional exports of jute, leather, and tea have not shared in the price rise. The world monetary reform must take into account all these long term trends.

World Population Conference: The U.N. World population Conference attended by 135 States was held in Bucharest from August 19-30, the first inter governmental conference unlike the previous two scientific congresses in Rome (1954) and Belgrade (1964). The main agenda of the conference was to adopt a world population Plan of Action whose draft set forth the following objectives to be attained by 1985: (a) aworld population growth rate of 1.7 per cent (currently 2 per cent), (b) life expectation of 62 years in the developing countries (currently 55 years), (c) Average crude birth rate of 30 per thousand in the developing countries which is currently 38 per thousand, and (d) Universal family planning information. The major debate in the conference was similar to the debate at the Stockholm environment conference (See Vol. II No. 7 pages 15-18) between developed and developing Countries, with the former emphasising the demographic issues and the developing Countries emphasising poverty as the major enemy of development. There are vaious pulls in the conference—some of the African and Latin American Countries want an increase in family size, China and the communist countries do not favour a demographic emphasis and all countries wish to retain the right to decide on population policy. The conference has produced valuable documentation, has high-lighted the main population issues and has been the occasion for a series of important tribune discussion on development, women, youth and agriculture. The conference finally adopted a watered Plan of Action calling for a substantial reduction in the developing world's growth (which is presently 2 per cent) by 1985. It recommends provision of family planning services on request more assistance to population control programmes and full equality of women. It concedes the third world view in stating that the per capita use of world resources, being much higher in developed countries, they must adopt policies on population, consumption and investment in order to bring about basic international equity. It sets forth 10 basic principles on sovereignty, improved living, national independence, population development nexus, respect for human life, equality of women, rational differences, fair resources distribution and imperative of reform and change The plan is a slow first step, rather vague and nebulous as all intergovenmental compromise documents are, but represents a first facing by governments of the fact of population.

World Economy: The U.N. Statistical year book 1973 highlights some important features in 1972 and 1973. (a) World industrial production increased by 7.3 per cent in 1972 and 9 per cent in 1973. (b) World agriculture was unchanged

at 3 per cent in 1972 and increased by 5 per cent in 1973. (c) World production of rice, wheat and maize fell by 4, 2, and 1 per cent in 1972 and rose by the same amount in 1973. (d) World exports increased by 10 per cent to $ 412 billion in 1972 and by 37 per cent to $ 570 billion. In 1973 international trade was thus the dynamic feature of the world economy in which the share of the communist countries was $53 billion (33.33 per cent increase), OECD countries $ 410 billion (37 per cent increase) and the developing countries $ 108 billion (44 per cent increase). It is against this performance that India's export performance should be judged. (e) World energy consumption increased by 4.5 per cent in 1972, with oil dominating the world energy balance. Both 1972 and 1973 thus, were years of expansion, while the forecast of a poor US harvest, and the anti-inflationary programmes in all developed countries are raising fears of a recession for 1974.

Law of the Sea Conference: The Caracas conference was attempting hammering out a compromise package concerning the territorial limit (12 miles), the economic zone (200 miles) 'unrestricted passage' and the exploitation of fishery resources and freedom of scientific explorations. It was on the last two issues that continued difficulties between the developed and developing countries were faced. India proposed an eighteen mile contiguous zone beyond territorial waters, so that customs and quarantine rules could be enforced. There was also emerging agreement on free transit to the seas for land-locked countries, which would also have a share in the economic zone of the neighbouring country. A conference committee worked on sea bed mining and the machinery needed for the 130 participating countries to exploit the rich mineral resources of the seas. The conference adjourned on August 29 without being able to reach agreement on the major issues which would lead to a new sea code treaty. It decided to meet again in Geneva from March 17 to May 3, 1975 and in the interval the governments can study, negotiate and make up their minds on the territorial sea limits, deep sea mining pollution control and naval right of way in narrow straits. On all these issues, the problems and the stand of the developing and developed countries have been clarified, so that at the adjourned Geneva meeting, agreement can be reached and at the resumed 1975 August conference in Caracas a treaty may be signed.

Trade negotiations: The multi-fibre textile (MFT) agreement analysed in Vol. IV pages 28 and 134-135 is not working to the advantage of the developing countries. An UNCTAD report shows that (a) in 1972 the share of the developing world in the $ 22 billion textile exports market fell from 17 to 15½ per cent, (b) the developing countries are net textile and clothing importers from the developed countries, the deficit being $ 10 million last year, (c) the major importers from the developing countries are only U.S., U.K., and West Germany, while Japan imports only 5 per cent and France 1.5 per cent, and (d) of the $ 1,129 exports from developing countries, $ 953 million was from Hong Kong which was not a member of the group of 77 and only $ 80 million from India. The UNCTAD report calls for a revision of MFT. EEC has not as yet moved with regard to applying the MFT agreement to India and because of internal disagreement, is continuing the restrictions on Indian textile exports (India has asked for some interim higher quotas). The sames applies to the long drawn out negotiations between EEC and India on tea exports. Hence the UNCTAD proposal for a new international commodity strategy which

will index link the prices of commodities exported by the developing country with the prices of their industrial imports in place of the GATT commodity by commodity approach and negotiation has much to commend it. This new commodity strategy will strengthen the earnings of the developing countries, assure them markets and will ensure assured supplies to the developed countries.

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II Agricultural Development

Paddy :

In August, summer paddy harvest was underway in the Coimbatore, Madurai, Tirunelveli, North Arcot and Chingleput districts, covering 2 lakh acres with a further 12 lakh acres to be harvested at the end of September. Thus the first crop covers around 14 to 15 lakh acres out of a total of 66 lakh acres of paddy cultivation. The South West monsoon though late has been good and the Mettur tank with a fairly full storage assures the Thanjavur farmers adequate irrigation right from Kuruvai. With a good North East monsoon, there should be a slight increase in the area under cultivation with well filled tanks and walls. With rising prices and assured markets, the use of HYV paddy IR-20, Kannagi, Karikalan is spreading fairly rapidly, to which the Department of Agriculture is adding 2,000 tonnes of high quality seeds to cover 1 lakh acres. There is a problem of fertilisers particularly for the Samba crop, the Kuruvai having been provided with 50 kilos of urea per acre. To meet the shortage, from the end of August, the government rationed its use, whereby chemical fertilisers are being issued against farmer's cards, The Department and the District Collector decide on the quotas of pool and non-pool fertilisers to each farmer and against such quotas dealers are allowed to sell fertilisers at fixed fair prices. In addition 700 tonnes of green manure seeds have been distributed in the Thanjavur district to increase this substitute fertiliser supply. The manuring can also be increased by use of straw and paddy husk (which contains 1.6 per cent phosphoric, I per cent potash and 2.9 per cent calcium) developed in six weeks as compost for enriching the field. Another input in short supply this season is pesticides and weedicides, calling for care and manual handling to make up for the shortage. The question of procurement price of paddy needs review in light of the increased costs of seeds, fertilisers, tractor hire, oxen and wages. At present it is Rs. 65 per bag and there is a case for a 10 per cent increase.

Research results :

The Aduthurai station has developed a scented paddy variety—Pusa 33 with a 105 day duration, the fine grain yielding 2 tonnes per acre being suited to Kuruvai and Navarai sowing. Another new strain—IR-20 just released by the International Rice Research Institute at Los Banos is also a high yielder good quality grain with the important addition of being resistant to major pests and diseases—stem borer, brown hopper, green leaf hopper—which

with the shortage of pesticides and with the pests already appearing in Kerala becomes a useful variety for farmers in this State. Two other varieties—cultures 1,046 and 1,047 are of 165 days duration and with medium slender grain and yielding 4.5 tonnes per hectare are likely to replace CO-24. The Tamil Nadu Agricultural University released in August a long staple cotton strain—CBS-156, which as a hybrid long staple cotton surpasses Hybrid-4 and Varalakshmi and is better in yield and lint than the superfine cotton varieties of this State—MCU-5 and sujata (See Vol. II No. 5 pages 12-13). Its duration is 170 days, is pest and wilt disease resistant and yields a net profit at present prices of Rs. 7,500-Rs. 12,000 per acre which is 20 per cent more than the net income from paddy. Research also brought to light that some tuber crops contain properties that can be used in oral contraceptive pills. Tuber cultivation in the South might thus meet both food and population control needs. Agricultural University research is starting on solar and nuclear irridiation of seeds and plants—wheat, paddy, pulses and vegetables which can both increase the quantity produced and change the genes. In this area, co-operative research with Soviet Universities would have a high pay off.

State Farms, Sewage, Groundnuts and SFDAs:

There are 55 State seed farms which are operating successfully, making a profit of Rs. 14 lakhs last year. Each farm has an average area of 250 acres as a seed multiplication, and demonstration centre for the neighbouring farming community. The government is setting up a TN State Farm Corporation to manage these farms. Using the sewage water from the city, the Madras Corporation is setting up a 170 acre farm in Koyambedu to grow fodder grass. This use of sewage water has been successfully tested over 14 acres and the yield of 100 tonnes per acre of grass is being used to strengthen the animal husbandry programme. The successful cultivation of groundnuts over 1 lakh acres in Pollachi and the growing of the new Pollachi-1 variety over 7,000 acres is being extended over an additional 500 acres of hilly forest land near Pollachi. This together with the raising of sunflower over 9,000 hectares in the Pollachi area will help in meeting the acute shortage of oil seeds facing the State and Country consequent on the drought in Gujarat. In addition to Madurai, South Arcot and Tirunelveli districts, the Small Farmers Development Agency Programme was extended in August to 3 more districts, Tiruchi, Thanjavur and Coimbatore. The programme will provide the 3 new districts small farmers with credit for pumpsets, fertilisers, quality seeds and also provide for the integrated development of poultry and cattle within their holdings.

Irrigation:

Not only has the State attained the fullest use of its water resources for agriculture as noted in the State section, it faces a very real problem with regard to increasing its well irrigation facilities. In some areas like Coimbatore and Salem the optimum number of wells have been constructed and any further increase will simply lower the water table. The need for a State water council to regulate exploitation of our water resources is reiterated. Four of the seven major irrigation works are located in the dry land areas of Palani and Dindigul taluks and when completed will irrigate 2 lakh acres. The government is issuing identity cards to farmers for the regular provision of diesel for their pumpsets which is one replacement of the declining power supply available to agriculture in the State.

Co-operatives :

The official report on the Co-operative movement in the State during the Fourth Plan is heavily on the positive side. Its credit disbursement increased from Rs. 40 crores in the first 3 Plans to Rs. 104 crores in the Fourth Plan, its short and medium term credit doubled, the value of agricultural produce handled by it rose to 31.34 crores in 1973-74 and its key role in distributing rice and essential commodities is a pluse. These achievements must be matched by toning up of administration, making it democratic and increasing its efficiency and integrity.

Fisheries :

The August seminar on inland fisheries drew up a plan to increase inland fish production from one lakh tonnes to 10 lakh tonnes per annum. The State's 42 big and small rivers, 11 lakh tanks and wells and the inland water spread of 3.6 lakh hectares are to be utilised to attain this fairly modest target. The plan should be part of a major co-ordination effort to use surface, sub-soil and underground waters for crop production, industrial and domestic uses and fish culture.

Tea and Coffee :

Tea sales and prices were maintaining their upward steady trend in Cochin and Coonoor in July with large orders from USSR, US and Canada for improving quality of Nilgiri tea. While all other teas sold in July for Rs. 8.38 to 8.91 per kg., Nilgiris sold for Rs. 10.18 per kg. There is need for expanding tea production and for this loan facilities offered by the Tea Board and ARC for replanation and rejuvenation of old and uneconomic bushes are not being fully used. For this the government should make provision for depreciation on standing bushes for income tax purposes. On the export front, apart from the need to reorient the tea promotion agency to explore foreign markets (see Vol. III pages 643-644 and Vol. IV pages 139-140) on which government must take action in view of the producers agreement that is likely to emerge from the April meeting in FAO referred to in Vol. IV page 496 there is need to help the industry in meeting the serious problems in finding plywood material for its exports. Further the fact that the urea used in the past for plywood chests have now to be allocated to agriculture and that aluminium and tin are not available, the Country's plastics industry must provide the necessary substitutes to safeguard this important foreign exchange earner. On the coffee production side, the Coffee Board should enquire into the reasons for the fall in production for 1973-74 to 83,000 from 85,000 tonnes instead of the third year cycle bumper crop of 95,000 tonnes which should have been produced. The inputs shortage is not the only cause and if it is, it is remediable. This means, as pointed out in the last issue, a lower export quantum at a time when the demand price for coffee in the international market is high. The Board reports an increase in the internal consumption of coffee for 1973 at 39, 381 tonnes (the highest so far), but with per capita consumption staying at 10.07 kg, the increase is due to increase in the number of coffee drinkers as part of the population expansion.

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III Industrial Development

Salem Steel:

Despite the assurance given by the Chairman of SAIL (See Vol. IV page 496) that Salem's minimum needs of Rs. 12 crores for this year will be met, the Supplementary Budget makes clear that Salem's allocation for this year will remain at Rs. 3 crores. The additional Rs. 57 crores for steel production in the Supplementary Budget has been earmarked for Bhilai expansion (Rs. 27.5 crores) Bokaro escalating costs (Rs. 22.5 crores) Rourkela's welded pipe plant (Rs. 5 crores) NMDC (Rs. 2.1 crores) and IISCO and HNC (Rs. 1 crore)—This means that Salem's work scheme will have to be rephased and the time schedule for setting it up delayed by about a year. This is uneconomical as costs are escalating and the Salem team now visiting Europe to contract for the plants' technology will be faced with higher costs.

BHEL:

BHEL production for the year is at the rate of Rs. 160 crores. In August, the first phase of its expansion, the new tubular shop, was completed and Rs. 5 crores of components produced. The Rs. 10 crores second phase was also initiated to produce the more sophisticated equipment referred to in the last issue (Vol. IV, page 550). Further a Rs. 25 crores seamless tubes unit is being set up at Tiruverumbur which would save the annual import of Rs. 13 crores of seamless tubes. A mini steel plant on the site to make special steel for the plant using scrap from the railways is also under consideration. The Fifth and Sixth Plan programmes for BHEL envisage trebling its capacity for power generation equipment from 19,000 WM today to 33,000 WM at the end of the Fifth Plan, and to 55,000 MW by the end of the Sixth Plan. This call for a further restructuring of the well run unit and if the Electricity Boards keep to their schedule for generation, clear up their arrears and make the necessary payments to BHEL on time, the power profile of the Country would be transformed in 10 years.

Madras Refinery:

Manras Refinery's fourth year of operation, 1972-73 was a good one. It processed 2.43 million tonnes of crude and developed new petroleum products—inkol, axle oil and rubber extender oil. With an increased turnover of Rs. 10 crores at Rs. 65.3 crores, its net profits amounted to Rs. 6.25 crores. Plans for its expansion in agreement with Iran are continuing uninterrupted. For the year 1972-73, it received a merit award for having completed 1 million man hours of safe operation.

Company registration:

Of the 181 new companies formed in the Southern region in the first quarter April–June 1974, 66 were formed in this State, 4 public companies with a capital of Rs. 7.5 crores, 60 private companies with a capital of Rs, 9.9 crores and 2 guarantee companies. Of these, 7 companies are large ones—four in the public sector with capital ranging from Rs. 1 crore to Rs. 5 crores and three in the private sector with a capital of Rs. 50 lakhs to Rs. 1 crore. On the other hand 8 companies with a capital of Rs. 9.39 lakhs went into liquidation and a further 8 with a capital of Rs. 5.5 lakhs were removed from the register. If this record is kept up for the year, the industrial lag noted in the State's Economic Appraisal for the last 2 years may begin to be compensated.

Salt and Matches:

The government has set up a Rs. 45 lakhs large salt and marine chemical com-

plex as a joint sector project in Kovalam. 4,000 acres are being developed for salt production and a marine chemical recovery unit is being attached to the salt works. A similar 5,000 acres complex as a public sector project is being developed in the coastal area of Mudukulathur in the Ramanathapuram district. The raw material problems faced by the State's matches units (See Vol. III page 648) are being alleviated as a result of action by the union Ministry of Industrial Development and the State government. The match factories in the State need 3,600 tonnes of chlorate of potash which is to be supplied by WIMCO (2,400 tonnes), Travancore Chemicals (720 tonnes) and Mettur chemicals (480 tonnes), 360 tonnes of red phosphorous and 4,000 tonnes of blue match paper which SIDCO would obtain from United Phosphorous, Bombay and the paper mills and distribute them to the units. While this meets the raw materials problem of the industry, the control and rationalising of its functioning still awaits action by the units and government.

Handloom :

Handloom production and exports are in a bad way in the State. Exports have dropped sharply from Rs. 11.6 crores in October–December 1973 to Rs. 7.4 crores in January–March 1974 and down to Rs. 6.2 crores in April–June 1974. At this rate the 1974-75 handloom exports may be Rs. 20 crores less than the Rs. 75 crores exports last year. This decline is taking place when there is a soaring demand in the U.S. for handloom silks, in West Germany for handloom garments, in the Arab Countries, Japan, Italy, Korea for handloom textiles and silk, in the USSR for towels and new markets opening in Australia for free entry of handloom fabrics. The reason for the fall in exports to the extent of 40 per cent lost contracts is the 50 per cent rise in costs of production. The major factor in the cost escalation is the rise in the price of cotton yarn. Due to the 60 per cent power cut in the State, for instance, the July production of cotton yarn declined by 20 per cent at 98,900 bales of 180 kgs. This means that the handloom sector had only 75,000 bales of 180 kg. each and the yarn prices from Feburary have been rising steadily. Towards the end of August SIMA decided to operate a voluntary scheme for regulating prices and distribution of yarn and prices have now been reduced by 5-6 per cent. With the lifting of the power cut, yarn availablity would increase and the price fall further. The handloom sector also faces the rise in costs of dyes and chemicals and wages, while they have lost the assistance scheme. There is urgent need for some decisions for this industry to be decentralised to the States so that costs can be controlled, yarn availability regularised and assistance provided. This State has offered to the Union Government to take responsibility for these measures and as 50 per cent of exports emanate from this State it has proposed setting up a Handloom Exports Corporation. Some agreement between the Union and State governments must be arrived at to ensure that the Country's pre-eminence in this export sector is maintained and the 4 crore handloom weavers helped.

Power looms :

SITRA is undertaking a techno-economic survey of the 30,000 power looms in the State which consume 30 per cent of the yarn produeed in the State and produce 60 million metres of cloth. For the present these looms produce only coarse and medium varieties of cloth. SITRA's operational studies show that the productivity of existing mills can be increased by 38 per cent through more efficient use of their looms and by 18 percent by modernisation. Hence a first power loom service

centre has been established by SITRA at Somanur to provide for cousultancy services and improve the efficiency of the power looms. A second similair centre is being established at Komarapalayam. As the services, to improve the performance of power looms in the State are being developed, it is necessary for the people the handloom and mill owners and the government to establish the relationship between handlooms and power looms and to arrive at a decision on the question of the 12,000 more power looms that the Asoka Mehta committee recommended to be licensed in the State.

Leather ;

The 1973-74 leather export statistics which are now available record a poor performance with only an 8 per cent increase in leather exports, from Rs. 88.56 crores in 1972-73 to Rs. 95.33 crores in 1973-74. Finished leather exports which have been the main thrust of the government's changed leather exports policy declined by 18 per cent from Rs. 17.48 crores to Rs. 14.17 crores, well short of the Rs. 25 crores target. The reasons for this decline were : (a) the requisite infrastructure to produce quality goods have not been developed. (b) The cash subsidy agninst finished leather goods exports promised by the government has not been forthcoming to build up the needed infrastructure. (c) The price is not competitive in the international market. The 18 per cent decline in the export of leather footwear was due to the U. S. consumers resistance to higher prices of leather footwear. (d) The production base has not been expanded for leather goods so that the increase of industrial leather manufactures exports from Rs. 3.43 crores to 5.09 crores were well short of the target of Rs. 10 crores. There is thus need for the Leather Export Development Corporation to be established to stimulate finished leather production and to provide regular inputs of finished leather at reasonable prices to footwear producers. Even the 25 per cent increase in chrome leather in wet blue exports was due to the Soviet Union's increased imports from Rs. 12.86 crores in 1971-72 to Rs. 46.42 crores in 1973-74, (with a decline in its imports of shoes). As this increase was an increase in value accompanied by a decrease in quantity from 2.87 lakh kg to 1.98 lakh kg., unless the corporation becomes active, the decline in export earnings will continuc.

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IV. Education, Science and Health

Unrest in Educational Institutions :

The 17 recorded incidents of unrest in August in most cases accompanied by violence, fall into four groups of causes. 5 incidents in Bihar with one student death were part of the agitation of the student community to change the government and dissolve the State Assembly, 2 incidents in Delhi University including the stabbing of a student and one in Punjab university were part of virulent student elections which in Delhi took on the aspects of a major political campaign in which Rs. 2-3 lakhs were reported to have

been spent, two incidents in Madurai arose from the demand for low priced rice and the extension of scheduled castes student concessions to other students, one incident each in Gorakhpur and Lucknow resulted from the denial of "the right of the students" to copy in their exams (at which the principal of a women's college lamented the fact that women students are being unfairly discriminated against as they are denied the right to copy), one incident each in Delhi, Varanasi, Madras, Palayamkottai, Tirunelveli and Bhuvaneswar due to conflict with transport authorities, difference among student groups and the decision by the government to take over and run the university. The new element noted in the last issue (Vol. IV page 554) of the resignation of Vice-Chancellors continued in August with 3—the Vice-chancellors of Kasi Vidyapeeth, the Pro-Vice-Chancellor of Gorakhpur and the supersession of the Vice-Chancellor of Utkal university. In the first 2 cases, the resignation resulted from frustration with the resistance of staff and students making it impossible to "do anything useful or effective under the present set up" as one of them put it. The student elections in Delhi university was an extraordinary exhibition with two major political parties financing the campaign of the 2 rival candidates for the presidentship and the whole atmosphere being that of a major prestigious political fight, with no relation to the basic academic issues that concern the university. This politicising of student elections is spreading throughout the Country and adds to the warning that time is fast running out for the present educational system.

Educational reform :

Job oriented course in radio engineering and electric motor rewinding are being introduced in 11 schools, motor mechanic courses in 5 schools and agricultural engineering in three schools outside school hours as part of the experiment to launch the comprehensive school system recommended for the Fifth Plan by the State Planning Commission. As part of the programme to identify cultural talent, the Union government is awarding 100 scholarships in music, dance, painting and sculpture to the age group 10-14. The problem of shortage of text books referred to in the last issue making a further mockery of the education system continues. The Madras University has dropped two sections of an English text book from this year's course because of the non-availability of the book. In Andhra Pradesh one English text book for the intermediate classes has been unavailable last year and this year. 13 books for the sixth standard and ten out of eleven books for the tenth standard and mathematics, general science and Telugu books for the first five stanards amounting over a 1,00,000 books for 2 districts are reported to be unavailable. NCERT is converting its publication division into a commercial organization to supply text books to the State governments. But the real cure is for paper to be made available to the State governments and publishers and it is hoped that the two orders by the Ministry of industrial development referred to under the National section will begin to right the situation. At the university level the Madurai UGC sponsored seminar (see last issue Vol. IV, page 556) also recommended a detailed programme for the introduction of the semester system and internal assessment through various types of tests—objective type, multiple choice, short answers, essay type, graded problems, open book, take home exercises, using all India question banks. The post graduate course should include research methodology course and a component of research project work. The Union Minister of education in the Lok Sabha in August referred to the virual collapse of the examination system, the tensions it creates on the nerves of

students and proposed scrapping it. The August session of the syndicate of the Madras University decided (a) to extend the semester system to M.Sc. chemistry this year and to all M.Sc. courses next year, (b) to introduce project work in the courses (c) introduce a new M.Sc. course on atmospheric physics at Presidency college and (d) prepare for internal assessment as a means of examination reform, The second revision of the syllabus for all degree courses has now been completed and will go into effect this year and sixteen job oriented courses—B.Sc. in lab technology, B.A. in secretaryship, M.Sc. in nutrition, dietetics, pre-school education and food preservation etc.,—are now being operated. The university has approved evening and correspondence courses in 29 colleges and has started a diploma course in guidance and counselling for college lecturers so that every college can have a counselling for college service. A negative element is that the UGC on the advice of its expert committee review has derecognised the advance centre in physics at the university as part of similar action in 7 centres which have not done well. This is a pointer to the need for developing and maintaining standards of excellence at the post graduate level. The Lok Sabha adopted the bill to create the Central university in Hyderabad as part of the 6 point Andhra Pradesh political settlement.

Informal and Technical Education:

A programme to run wall newspapers in the languages which do not have newspapers is to be launched by Union and State governments. Also television including satelite grogrammes for radio are to be used to ensure that the Fifth Plan programmes and objectives are communicated clearly to the people. The Orissa State government with the help of voluntary agencies started in August a mass campaign against the dowry system. To back up the new bill that is directed against untouchability and the growing atrocities to which Harijans are subjected, the penal provisions are to be backed by an effective educational programme. The Department of archaeology in the State graduated in August its candidates in epigraphy as part of its programme of preserving the State's idols and antiquities in temples and edicts and prevent their vandalism and export. On the side of technical education, the stabilising of the number of medical colleges and a small reduction in the number of seats from 1,125 to 1,015 in this State has been imposed by resource constraints and the need to maintain quality. The Union government has decided not to derecognise the 8 medical colleges in Karnataka and Andhra (See Vol. IV pages 382 and 503) but to limit their admissions until their past excess admissions are corrected. The university is being urged to establish a B. Tech. (leather) course to that diploma holders in leather technology can through part time and correspondence courses qualify for it.

Science :

CSIR is setting up polytechnological clinics to strengthen the relation between research and industry. The clinics will provide diagnostic information to the laboratories and industries, analysing Industrial problems and putting industrial units in touch with approprite laboratories. CSIR's adoption of Karimnagar in Andhra Pradesh (see Vol. III pages 429-430) has paid off in improved housing, sanitation and roads, on which basis other laboratories are adopting the same technique. The Government of Andhra Pradesh has taken a step ahead of this State and set up a State level committee on Science and Technology to work with the National Committee in developing commercial plants for coal gassification and promotion of backward areas in the State. India's nuclear

programme comprising 4 experimental reactors, the two power reactors at Tarapur and Rajasthan, the *nuclear fuel* complex in Hyderabad, and the four heavy water plants in Kota, Baroda, Tuticorin and Talcher, the fast breeder reactor at Kalpakkam and its uranium and thorium deposits are planned to be used, to meet its growing power needs and for mining, irrigation canals and oil prospecting. 7 of the 17 NRDC awards have been given this year to scientists for their inventions in this State at CLRI and the Regional Engineering College, Tiruchi. The Veterinary College *science* exhibition in August highlighted some solid work done by the college in control of animal diseases, growing of better nutritive fodder crops and breeding *better strains* of cattle and poultry. The college houses the *only* frozen cattle insemination facility which needs Rs. 60,000 a year to be operated through sub-centres in Coimbatore, Madurai and Tiruchi. The research *facilities* of the college provide a good basis for the Fifth Plan R & D programme recommended for it by the State Planning Commission.

Health:

The revived mosquito problem referred to in the last two issues (Vol. IV, pages 504 and 557) has led to State government action in covering open drains, improving the Buckingham Canal, spraying mosquito larvicide over an area of 25.5 lakh sq. metres and the constitution of special mobile spray squads. At the national level mosquito eradication through sex sterilisation *will soon* be launched as a result of successful experiments carried out by the genetic control of mosquitoes unit of the WHO. Pregnancy counselling and abortion services are being offered in 55 institutions to be increased to 150 by *the* end of the year in the State. The State Government is arranging with the Union government for a 10 day after care programme for the patients. The Family Planning Pro gramme has made 60 70 per cent of rural people and 70 to 80 per cent urban people aware of the programme, the Union Minister reports, and has averted 17.2 million births till May 1974. We have still a long way to go to reach a *modern* birth rate.

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V. Employment

The Comptroller and Auditor-General's report also explains the reasons why the crash scheme for rural employment has produced limited results. Despite the directive that *the* funds were to be used for additional jobs to be created by labour intensive programmes—road building, irrigation, soil conservation, reclamation and flood protection and that these should be organised by the States and not given out to contractors, a number of States employed private contractors in one State for Rs. 15 lakhs in another State for Rs. 72 lakhs, a third State spending 67 per cent on roads. The four programmes—the crash scheme, the educated unemployment scheme, the special employment scheme and the half a

million jobs programme—all of which are now integrated in sectoral development programmes, went awry because most of them were entrusted to contractors who appropriated two thirds of the funds into their pockets. They did not keep muster rolls, or kept fictitious ones. The actual employment generated through the total sum of Rs. 170 crores was small. From this point of view it is perhaps wise that with all their delays, the half a million educated employment scheme is being operated by banks which have, the Union Minister of Finance reports, approved 5,940 self employment projects out of 15,368 applications in 4 States. In this State all these four programmes are being taken over by the State government at the cost of Rs. 4 crores per annum. One of the baffling employment problems in our economy was brought to light at the August Bangalore Seminar organised by "the forgotten five hundred"–260 boys and 240 girls who had all had a job oriented education, a trade training at the end, and yet were jobless. Of the 14,000 who received technical training in West Bengal only 30 per cent are employed. This is the other side of the medal. We can make our education as job oriented, as vocational as we like, but if the economy is not throwing up jobs or if it and the employment exchanges are riddled with corruption and nepotism, education can do little to correct the growing unemployment. It is not surprising to read the American Medical Association Statistics that 45 per cent of their graduating doctors of 16,689 in 1973 came from abroad, the largest number being from India.

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VI. Other Items

Indian Economic Association :

With the agreement of the Government of India, the Association presented to the Council of the International Economic Association which met in Budapest on August 17, an invitation to hold the Fifth World Congress of Economists in 1977 in New Delhi. The Hon. Secretary represented the Association at the Council. For the Annual Conference to be held at Andhra University, Waltair, as at August 31, 3 papers on the present state of welfare economics, 7 papers on price policy in India and 9 papers on regional economic development have been received and are being reviewed by the Rapporteurs Miss Uma Devi, Dr. Ranjit Sau and Dr. Baljit Singh. For the seminar on Improvement in the teaching of economics, a total of 28 professors have accepted the invitation to participate, those in addition to those listed in the past issues (Vol. IV pages 453 & 558-559) being Dr. Ranjit Sau (IIM, Calcutta), Dr. K. S. Gill (Guru Nanak University), and Dr. A. N. Das (Banares). Dr. George Skorov, professor of Economics, Institute of World Economy and International Affairs, Yaroslavskaya St, Moscow has accepted the Association's invitation to participate in the Annual conference and seminar and visit a certain number of university centres from

December 15 to January 22. Prof. Frank Hahn of Cambridge University who will be visiting Bombay in December has also been invited to the Annual Conference and seminar.

Xavier Board :

The Xavier Board of Higher Education in India which co-ordinates the activities of 120 Roman Catholic colleges in the Country organised a seminar in August preparatory to the Annual conference of the whole Board. The role of the college in the present situation in the Country was discussed in relation to helping in developing a more just social order and the practical activities such as assisting the land reform programmes in the States, the slum clearance and improvement projects in urban areas, the place of moral instruction in a situation of deteriorating moral standards and an agenda of action drawn up.

Young Writers' Forum :

The Young Writers' Forum organised a seminar in August on Education and the future of India. There was general agreement on two issues. First the present educational system is growingly irrelevant and is on the point of breakdown and that time is fast running out for re-orienting the system. Second in relation to the future perspectives - political, economic, social and moral-of the Country, education as multi-dimensional life long learning experience is the major means available to the Country to attain its goals.

Psychology and Economics :

A symposium on the psychological foundations of Economics for economists, psychologists and businessmen engaged in entrepreneurial training programmes was organised by the United States Information Service in August. Some of the psychological factors underlying management and business organisation, means of measuring the various motivations—power, efficiency, dependency, welfare and the means of developing these motivations in businessmen and managers-were discussed in depth. One of the interesting outcomes of the discussion was the means of operationalising the desirable motivations in business enterprise through development of certain types of curricula for training programmes.

Women and change :

The power of women to aid the process of social change was the subject of a discussion meeting organised in August by the YWCA in Madras. A practical outcome of the meeting was a programme of priorities for women's work particularly in view of the U.N. declaration of 1975 as the International Year of Women. These priorities for Indian women, it was decided, should be: fight against poverty and for a just social order, functional literacy, family planning and nutrition and women's welfare.

Gandhian Institute of Studies :

The Gandhian Institute of Studies, Varanasi, a centre for study and research in Social Science in the Gandhian ideals of peace and constructive work was founded by the Sarva Seva Sangh with the leadership of Jayaprakash Narayan in 1962. It has since developed into an outstanding research, consultancy and training institution with its major thrust on action-oriented research in the problems of the poor and weak sections of society. With a small annual grant from the Union Government of Rs. 2.5 lakhs, it has developed a staff of 28 specialists in sociology, political science, economics, psychology and education, published 27 research studies ranging from the dacoits of Chambal valley to communal conflicts in Ranchi, has completed 29 further

studies ranging from people's action in Angarkata to the challenge of self reliance and has under study 46 further problem areas. Its Fifth Plan programme is aimed at inter disciplinary, peace and future oriented research which would be both action based and test and build new theories. The Institution now needs budgetary support of the order of Rs. 10 lakhs per annum. A visiting committee of ICSSR reviewed the work and future programme of the Institute with its director Dr. S. Dasgupta who brings to the Institute unique qualities as a social scientist with deep commitment to Gandhian ideals and insights. The committee is making its recommendation to the ICSSR and the Governments of India and UP for financial support of the Institute.

September Development Seminar :

The paper for the September Development Seminar "District Plans" by Dr. C. M. Abraham, Reader in Sociology, University of Madras, together with a summary of the discussion on the paper at the seminar on Thursday, September 26th, under the chairmanship of Dr. M. S. Adiseshiah, Director, Madras Institute of Development Studies, appears as the first article.

Second article :

A paper on Anti-Inflation appears as the second Article in this issue.

DISTRICT PLANNING

By

C. M Abraham

University of Madras

"Planning is like Christianity, not tried and found wanting, but found difficult and not really tried."

"Nothing is vital until it becomes local".

Lord Chesterton.

There are three terms which have lately assumed greater significance — planning, population and pollution. The tremendous ramifications of the unabated population growth and the human cost of pollution are today's concern not only for the developing countries, but also for the developed countries. The question of dealing with these problems by planning has in recent years gained greater momentum in almost all the countries. The developing countries cannot live without planning. Even to maintain the status quo, planning is necessary, much more so in the context of socialistic pattern of development to establish a prosperous, egalitarian, democratic and just society.

Planning is a rational veto or willed activity at least in the theoretical sense. But in real practice, it is a political process. It is a means of directing social change and social relationships towards some desired ends social, political, economic, technical etc. There are many forms and levels of planning and many specific planning techniques. Some planning is segmental; some is comprehensive and integrated. Planning is sometimes corrective and rehabilitative; sometimes preventive; sometimes concerned with the creation or construction of new things or structures. Planning may be either short-range or long-range ; public or private.

Segmental planning may be easy for administration and implementation. But it cannot be effective because it lacks wholeness. Let us take an illustration. At present we give so much emphasis to city planning, at the expense of an integrated regional planning. Due to the facilities and opportunities available in our big cities, they attract more and more industries and people. In U.S.A. now 70 percent of the people have jammed together on 2 percent of the land. The crowded American cities are no doubt, destined to get somewhat more crowded. Half of the nation's counties have lost population during the past decade. As a result of the increasing trend towards industrialization and urbanization, the nation does have its over-crowded slums and traffic jams, its squalors of polluted air and water. The great cities present a picture of glamour and gloom. They display many of the most advanced and most retarded aspects of national life. A big city is a breeder of slums and palaces; an incubator of artistic and scientific progress and of disease, crime, juvenile delinquency, prostitution and a number of vices. In these cities the most commendable and

most disgraceful facets of life lie openly exposed.

According to the 1971 census, in India there are 108.8 million people living in our urban centres. Nearly half of them i.e. 52.41 percent are concentrated in 142 large sized cities having a population of over a lakh. And over 25 million people or nearly 25 percent of the urban population of India is living in only 9 cities. This has been a constant phenomenon in the two decades and the number of these cities classified as Class I, has increased from 88 in 1951 to 118 in 1961 and 142 in 1971. There was about 50 percent rise in urban population—from 78 million to 108.8 million—in the course of a decade. One immediate effect of this is a rise in the population of the big cities of the country and a simultaneous rise in the number of slums, and pavement dwellers. Between 25 and 40 percent of the population of the major cities in India now live in slums which proliferate at an alarming rate. Moreover the expanding throngs of urban dwellers in our major cities pose almost insuperable problems.

It is interesting to note the trend of growth of population of Madras city from the beginning of the present century.

Year	*Population of Madras City.*
1901	5.5 lakhs.
1911	5.7 ;,
1921	5.9 ,,
1931	7.3 ,,
1941	8.8 ,,
1951	14.1 ,,
1961	17.2 ,,
1971	24.7 ,,

During the last decade there was an increase of 7.5 lakhs of people in the city of Madras alone. Already nearly 30 percent of the city population live in slums and a sizable population live on the pavements as homeless squaters.

To escape from the horrifying and disgraceful consequences of over-crowding and congestion in big cities, we must turn our attention to an integrated and comprehensive regional planning along with planning our cities. It is heartening to note that the Government of Tamil Nadu have taken positive steps in this direction.

Let us now turn our attention to District Planning which is the topic of today's seminar.

Historical Background of District Planning in India

India has now completed twenty-three years of planned economic development. While gains in some areas have been undoubtedly high, the basic problems of poverty and unemployment still persist in a large measure. For a minority of people things are getting better, but for most people things are getting worse. It was estimated that by the end of the Fourth Five Year Plan, over 220 million people i.e. more than 40 percent of the total population of India, were living below the poverty line. The unemployed and under-employed could be counted not in thousands and lakhs, but in millions and crores today. Moreover, the strategy of development followed in India since 1951, has brought about lop-sided development and increasing regional disparities. These have resulted in tensions, often erupting in open violence. The recent Telengana agitation is an eye-opener.

Experience of planning in India has revealed that an over-all economic development based on centralized planning or planning from the top, will not automatically ensure economic develop-

ment of all regions. This means that while a country may experience fairly rapid economic growth and development, pockets of backward areas may continue to remain in existence or some regions may deteriorate and get worse. Moreover. our planners and administrators have now realized that economic growth and development is not merely an economic concept, it has an important social and human connotation as well.

Removal of poverty and removal of regional disparities have thus become the crucial issues of the Fifth Five Year Plan. The planners have adopted the slogan "economic growth with social justice".

The problem of regional disparities came into sharper focus in the Fourth Five Year Plan after it was examined by the Planning Commission. The Planning Commission has recognized that there was such a wide divergence between one area and another in the matter of level of development, physio-geographic conditions, resource endowment, infrastructural facilities, institutional structure and social services, that any uniform formulation of policy or programme at the national or State level would fail to ensure the optimal utilization of the natural, financial and human resources. It also realized the political and humanitarian significance of the removal of regional disparities. With the introduction of adult franchise, the hitherto neglected sections of people are no longer prepared to accept their lot in life. They began to clamour for their share in economic growth and development. Even on humanitarian grounds the vast number of people who are living in the backward areas of our country and whose lot is actually deteriorating deserve better treatment in the context of democracy and a welfare state.

In 1968, Dr. D. R. Gadgil, the then Deputy Chairman of the Planning Commission, who was among the first to underline the importance of 'planning from below', convened a meeting of the Secretaries of the State Governments who were in charge of Planning and initiated a discussion on the concept and need for district planning. The deliberations of the meeting clearly revealed the prevailing confusion regarding the concept of district planning. The meeting ended with a rather pessimistic note. Secretaries after secretaries spoke at length about the impracticability of introducing district level planning.

After the meeting of the planning secretaries, the Planning Commission issued a number of letters to the State governments clarifying the concept of district-level planning and stressed the importance of it in developing to the fullest possible extent the potentials of the backward regions and backward people. The Planning Commission in their effort to establish a methodology for district-level planning, also undertook some preliminary exercises at Amritsar and Karnal and developed a questionnaire and tables and drew up draft guidelines for the formulation of district-level plans. These guidelines were further scrutinized with the faculty of the Gokhale Institute of Politics and Economics, Poona and also discussed with the Maharashtra, Mysore and Gujarat State governments. Then they were finalised and issued to the State governments in September 1969.

The Government of Maharashtra immediately accepted the idea of district-level planning and was the first to start work on it. Andhra Pradesh followed suit. Tamil Nadu, Punjab and Uttar Pradesh also took some positive steps in this direction. All the other States have accepted in principle the idea of district-level planning, but so far very little had been done apart from carrying on much discussion on it.

With this historical background, let us now have a discussion on the concept of district planning.

The concept of District Planning :

'Planning from below' 'Grass-root Planning', Local Planning, Peoples' Planning, District planning, District-level Planning etc. all refer to one and the same thing. It is no longer a mere slogan. It is fast developing into a tool for correcting the relatively slow and patchy progress of our Five Year Plans and the regional imbalances.

District planning is conceived as one of the many tiers of multi-level planning which would assist the formulation of plan at the highest and lowest levels through a systematic collection and analysis of data concerning the needs, aspirations and resources of the people and the area, appraisal of concurrent experience and on-going schemes, identification and evalution of the unutilized and under-utilized resource potentials and the establishment of inter-sectoral, inter-spatial and sequential links within a specific resource situation. The concept of district planning involves the element of examination in great detail into the aspirations and requirements of specific local areas so that suitable measures may be taken for getting maximum advantage of local initiative, potential and resources. It is with a view to achieving the greatest good with the minimum of resources and efforts that the necessity of decentralizing the planning process has arisen and the concept of local or district planning has emerged. The plans prepared at the national or State level cannot take into account the variety of conditions existing in the different areas of the country or State. The local people know about the resources available in their region, how best they could be developed and the feasibility of any scheme to be undertaken. Hence they should be given an opportunity to demand that such and such schemes be taken up for immediate action. Evaluation of on-going schemes, moblization of local resources, listing of the infrastructural facilities such as marketing and credit system, servicing and common facilities etc. co-ordination of the programmes with other related programmes etc. could best be done only at the local or 'grass-root' level.

The concept of local or 'Planning from Below' takes its root from the simple fact that since planning for economic growth and development is mainly an economic issue, the planning unit should be a homogeneous economic region, such as a drought-stricken area, a flood-prone area, a mining area etc. If the State is considered as the unit for planning, we cannot satisfy the above mentioned principle, because in India the States are political or linguistic entities.

Really speaking the district itself may not necessarily be an economically homogeneous unit. As a matter of fact planning should start from the block or village level, then only we can use the phrase local or 'grass-root planning' or 'Planning from below'. And the district planning should be considered as a complex integrative planning activity comprising within it (1) district level projects, (2) block projects and (3) specific village projects.

The formulation of area development plans embracing the integration of the different activities of different sectors can be undertaken, for the present, only at the district level for various reasons. For most of the activities the present system of data collection does not go below the district level. Besides, the district is the only lowest administrative unit in which practically all the departments of the government have responsible officials who

could be associated in preparing the plan and working out the schemes. Even from the point of view of co-ordination of activities of different departments, it is only the district level which is at present by far the most convenient unit.

Main objectives of District Planning:

The main objectives of district planning are: 1. To achieve the maximum benefits out of plan expenditure on the basis of past experience of local potential needs and aspirations of the people.

2. To correct the regional imbalances.

3. To conform to the national goals and aspirations which find expression in the constitution of our Country and the national plan.

Spheres where District Planning can be successfully applied.

When an effort is made to apply the principle of local or 'grass-root planning' or 'Planning from Below', several spheres emerge for consideration. The sphere in which it can be successfully applied are those of horticulture and agriculture, minerals, fisheries and forest wealth, cattle wealth and animal husbandry, small scale industries, power and water supply, co-operative institutions, health and sanitation, family planning and other social services, schemes for utilization of man power at the district level etc.

People's Participation.

Planning from below will lose all its significance if the people for whose betterment the process of planned development has been adopted, are not involved in the preparation and execution of the programmes at all levels and stages.

* * *

Pre-requisites of District Planning.

Organization is the most important factor in planning. The success of planned development of backward regions would require a tremendous organizational effort. The four important components of successful formulation and implementation of development plans and programmes are (1) technically well formulated projects, (2) strong organization (3) adequate institutional support and (4) enlightened leadership. Unfortunately these are scarce factors even at the State level, not to speak of the district level.

Systematic collection of data regarding the available resource potentials, needs and aspirations of the people, levels of development etc., is a pre-requisite to technically well formulated projects. Then there is need to induct into the planning mechanism at the State level a powerful and technically competent unit responsible not only for the study of trends and problems of spatial/district development but also for guiding and participating in the work at the district level between district planners and State planners in the planning and other departments.

In order to break through the resistance of sectoral departments to district planning, it would be necessary to set up inter-departmental State level committees of the Development Departments, to guide. scrutinize and later finalise the plans for individual districts, within the frame work of over-all State plan, on the basis of inter-active discussion. It would also be desirable to constitute teams of regional or divisional level departmental officers under the leadership of senior officers of the Planning/Rural Development/Panchayat Raj Departments for three or four districts each to provide on-the-spot guidance to district level officers for the formulation of district plans.

* * *

Summary of Discussion

In the discussion of the paper at the Seminar held in the seminar room of the Institute on Thursday 26th September, 1974, under the Chairmanship of Dr. Malcolm S Adiseshiah, Director, Madras Institute of Development Studies, the author in presenting the paper defined planning as a rational veto, as a means of directing social change and social relationship towards some desired ends. He elaborated on some of the concepts and theoretical aspects of district planning and reviewed the practical problems that planning at segmental, regional or district level would involve. The need to "plan from below or a grass-root approach has been accepted because our experience of centralised planning has been one uneven progress leaving backward pockets where conditions have actually deteriorated. Further in central and State planning, plan outlays are determined for States with a weightage given for political considerations rather than economic criteria. Segmental plans while easy to administer and implement, lack wholeness. In the Second and Third Five Year Plans, the districts were given increasing importance. The role of district planning in multi-level planning was spelt out in 1966 by Prof. Gadgil. The main objectives of district planning are, optimum use of local resources, achievement of maximum benefits imbalances and local constrasts and conforming to national goals and aspirations. The salient features of the district plan enumerated are that at the formulation stage the plan would take into account the sub-regional disparities and imbalances within the district and due attention will be paid to the needs of rural as well as urban areas. Such formulation would, moreover, base its resource frame on anticipated plan outlays, non-plan outlays, institutional finance and local resources. The co-ordination of the work of various departments and agencies involved would also be given constant attention. An essential element for successful district planning is the active involvement of the beneficiaries—the people themselves-in the preparation and execution of programmes. The degree of consultation required for effective district planning demands changes in the bureaucratic procedures, departmental outlook and methods of operation. To achieve this transition certain pre-requisites are required. A necessary innovation would be the induction of a technical unit at State level empowered to guide and participate in planning work at State and district levels and responsible for studies of trends and problems of district development. The vertical and horizontal interaction required would call for the establishment of interdepartmental State level Committees of the development departments to lay down guidelines, serutinise and give final shape to the individual district plans within the framework of the State Plan. To provide on the spot guidance to district level officers a team of senior officers of planning, Rural Development and Panchayat Raj Departments should be constituted. In view of the complex nature of planning, particularly at the lower level, the district collector may continue to be in overall charge. A major prerequisite is systematic collection of relevant data. Integrative planning at district level would comprise district level, block level and specific village projects and consist of schemes to be executed by the people themselves, by co-operative and corporate sectors, by local bodies as part of the State and central plan.

In the discussion it was pointed out that our experience of district planning had identified four major constraints. The first of these is the inadequacy of the

methodology followed, second, the paucity of trained personnel, particularly at the lower levels for planning; third, absence of timely information at the district level of finance allocation and control and fourth, planning decisions rest with the political authority and are dictated largely by political considerations. Areas where local planning is fruitful and decisions must be taken at local and not at State or central level are agriculture, animal husbandry, minor irrigation, cottage Industries, backward regions, health, nutrition, Family Planning and primary and adult education. However, it was found in practice that there was a shortage of trained hands to do the planning, such as economists, stastisticians etc. Together with the paucity of resources there is a possibility that the methodology followed in district planning was not correct and that meaningful district planning might require an approach based on identification and involvement of decision makers in the series of sub-systems that exist in a village. A query was raised as to the stage at which the district plan was formulated in the sequence of State and Central planning. It was felt that the preferred order should be an approach paper at National level, followed by block and district plans and then aggregation of these into State Plans and these in turn formulated into a Cohesive National plan. With reference to the processes of town planning it was pointed out that it took relevant regional factors into account, though not as comprehensively as a district plan. Even in this field there were insufficiencies. On the question of planning decisions being made on political grounds, the basis was queried. An instance was "Garibi Hatao" which was a slogan more than a plan of action commanding popular support. A view was expressed that plan decisions, however political in nature, were made by the elected representatives of the people and therefore popular participation did exist, however indirect. Attention was called to the 8 Regional plans developed in the State. A region was a more homogenous planning unit from the point of view of resources. Here again the lack of trained personnel was a problem. The Madras Metropolitan Development Authority was another example of good local planning. District and local planning calls for a high degree of communication between the planners and the beneficiaries. Therefore a special effort is necessary to provide information about ongoing schemes and projects in adjacent areas so that an atmosphere of commitment, an element of competition and a sense of wider horizons is created.

ANTI-INFLATION *

Inflation :

The single most serious problem facing the country is inflation which was the 24 per cent price rise last year and is proceeding at the rate of 30 per cent this year, as admitted uy the Unicn Finance Minister when he introduced the supplementary Budjet on July 31. Inflation is not always to be frowned upon. Where due to deficiency in aggregate demand, resources are unemployed, inflation raises savings and investment and promotes production. In this case inflation is really a tax on money and like a tax it reduces the real consumption of the community and directs the saved resources into investment. That was the theoretical base of our plans since the second plan, namely to build up excess demand in the economy, meet it through supply management and use monetary and fiscal policy to step up investment in the core sector. The rate of inflation that we are now passing through however has resulted in a reduction of the standard of living of fixed income groups–the landless labourers, workers in the organised and the unorganised sector and the salaried group, a decline in the volume and rate of house hold savings, diversion of investment from production to speculative trade and hoarding, a sharp increase in the government's plan and non plan expenditure and the feeding of a flourishing parallel economy. In sum, our inflation has contributed to stagnant industrial production, holding back of food supplies, declining governmental revenues and worsening of income distribution in favour of the speculator, trader and the rural rich against the other social sectors.

Anti-Inflation :

It is against this situation that the anti-inflationary measures just initiated by the government should be examined. These measures are monetary and non-monetary.

Monetary :

On the monetary side the measures are : (a) The companies ordinance of July 5th amended on July 15th, since become law, limiting for 2 years dividends to 12 per cent or 1/3 of net after tax profit, under which Rs. 50 crores a year according to the government and Rs. 100 crores according to an IIPO estimate will be ploughed back into the capital resources of the companies. The additional emoluments ordinance of July 6th, later legislated, providing for the compulsory deposit of additional wages and salaries for 1 year and 50 per cent of additional dearness allowances for 2 years returnable after 1 and 2 years respectively with an interest rate of 10 per cent in five annual instalments. Under this Rs. 450 crores of incomes will be immobilised involving a money stock reduction of Rs. 95 crores. (c) On July 8th the frequency of the issue of bonus shares was restricted, increasing the time lag of the issues from 18 to 40 months. (d) The Compulsory Deposit Scheme ordinance of July 17th, also now law requiring those with an annual income of Rs. 15,000 to Rs. 25,000 to deposit 4 per cent, those with Rs. 25,001 to Rs. 70,000 to deposit 6 per cent and those earning above Rs. 70,000 to deposit 8 per cent in a special account all repayable after 2 years in 5 instalments at

* Extracts from the Presidential Address of Dr. Malcolm S. Adiseshiah to the Workshop on Government's Anti-Inflationary Measures sponsored by the Hindustan Chamber of Commerce, Madras on September 14, 1974.

8½ per cent interest. This will reduce incomes by Rs. 50 crores and money stock by Rs. 10 crores. (e) Intensified scrutiny, raids, seizures, and legal proceedings have been launched by the Income tax authorities against the large and growing numbers of tax evaders and black money operators. (f) Credit controls have been intensified. On July 22nd, the Bank rate was raised to 9 per cent, interest rates on all deposits, provident funds and post office savings increased to 7 to 10 per cent, on minimum lending rates raised from 11 to 12.5 per cent, on selective and co-operative credit from 13 to 15 per cent, the net liquidity rates raised to 40 per cent, and the RBI charge on loans increased from 15 to 18 per cent. In addition a scrutiny of the 50 largest borrowers by each bank with a guideline that larger credit above 1.5 per cent of a company's deposit should be on a participation basis and a freezing of credit limits at the July 12th level by SBI-went into effect-all aimed at reducing the total money supply with the public, which has continued to increase during the slack season (Rs. 11,294 crores in May and Rs. 11,376 crores in June) and reducing credit granted by the scheduled banks which was plus Rs. 203 crores in May and plus Rs. 153 crores in June.

In addition to these 6 anti inflationary measures, note also should be taken of two other fiscal events. The first is, despite its claim of being an anti-inflationary measure, the essentially revenue raising (in a full year Rs. 232 crores and this year Rs. 136 crores) Supplementary Bndget with its 7 per cent tax on bank earnings, the increased rates on capital gains tax from 45 to 55 per cent on companies, from 35 to 45 per cent on other assets, the 10 per cent reduction in individual exemptions, and the increased excise on 16 items. The second is the two central loans raised in July of Rs. 440 crores and the States loans in August of Rs. 220 crores, involving a net borrowing of Rs. 560 crores.

Non-monetary :

On the Non-monetary side a number of measures to stimulate production and restrain consumption have been launched. They include (a) the plans to increase the next rabi and kharif crops on which the Union ministry of Agriculture has developed a calendar of action, fixing targets, delivery dates and amounts for fertilisers, pesticides and other farm inputs for each State, the mobilising of the agricultural universities for extension work, production of nucleus seed which NSC can multiply, undertaking pest surveys and crop protection, water management and harvesting, preparing contingency crop production plans and inter-cropping of commercial crops like mixing sugar cane and cotton with pulses, oil seeds and vegetables, and producing and distributing microbial cultures and promoting the use of wastes as manures. A union cabinet committee headed by the Prime Minister is in charge of this Agricultural Production Promotional Programme which is being developed State by State. (b) To feed the public distribution system and in light of the low procurement of 4 million tonnes of food grains, the government is importing 1.8 million tonnes of wheat and obtaining a second Soviet loan of 2 million tonnes of wheat, so that with last year's import carry over, it will have the sub-minimal 9 million tonnes for public distribution. (c) A textile policy to oblige mills to increase the production of standard cloth and plans for increasing the production of edible oil, paper, cement have been announced alongside (d) of restrictions in the use of cement, steel, crude etc. and orders to clean railway yards within 7 days.

Assesment :

It is now necessary to look at these anti-inflationary measures with a view to assessing their effectiveness, deciding on our personal and professional course of action with regard to them and recom-

mending further means of strengthening the fight against inflation. That, I take it, is the purpose of this workshop.

To start with, the weaknesses of the current package of the 12 anti-inflationary measures stand out, whether we look at them in the aggregate or individually. In the aggregate, a start has been made on the demand management side, and little has been done or initiated on the supply production side. This attribution of the dominant role to monetary and fiscal measures as a means of controlling aggregate demand in relation to the available supplies in the economy is, as pointed out earlier, a reversal of our plan strategy to date and will not pay off in the long run, when anti-inflationary policy must aim at increasing supplies of food and all essential goods and stimulating instead of restricting investments on the other hand. If each of the anti-inflationary measures is looked at individually its weakness stands out even more sharply. The dividend restriction does not ensure immobilisation of money supply, does not direct the additional capital resources into priority production sectors, hits small share holders very hard who, unlike the other income receivers, are not eligible to deferred income, depresses share values (which in light of the last 18 months' bearish trends may not be serious) and reduces government revenues. The bonus restriction does not distinguish between sectors. The wage increase and S.A. deferment does not take account of the fact that the real wages of the workers in 1971 was 99 against the 1960-61 base as stated by the Union Minister of Labour in the Lok Sabha on August 23rd which I compute as 89 today, and that the share of wages in value added has fallen from 46 to 39 per cent in the last 3 years according to the RBI survey. The compulsory deposit scheme covers 600,000 income tax payers and lets off double the number of tax evaders and a larger number of black money operators. There is also the problem of the Rs. 3,000 crores to be released after the moratorium. The credit control measures further worsen the terms of trade as between industry and agriculture, with agriculture not only being outside the taxation net but also with 36 per cent overdues in their loan repayments according to the recent RBI study. Equally, the credit restraints are a damper on the egitimate producer and entrepreneur and hold no terroı for the trader and speculator who is making a profit of 100-120 per cent and and for whom bank lending rates of 13-15 per cent are chicken feed. The supplementary budget in termsof revenue raising is a flea-bite in in face of the looming budget deficit of Rs. 600 crores announced by the Union Minister of Finance in the Lok Sabha on August 23rd comprising Rs. 352 crores new expenditure, Rs. 112 crores new DAs, Rs. 126 crores budgetary deficit plus a further railway deficit of the Rs. 10 crores and its anti inflationary phase in the tax on bank earnings and capital gains is more than offset by the inflationary impact which the Central excise levies, and the 16 to 22 per cent railway freight hike and the State supplementary budgets will have on both wholesale and consumer prices. As for the non-monetery measures, they are so weak and tentative in food production and almost non-existent on manufacturing that they count for little.

On the other side of the scale it must be admitted that the government has begun to act against inflation and this fact is important and should command our support. In the case of the phenomenon of accelerating prices that we call inflation, it is peoples' expectation of a further rise in prices that is as much a cause for prices continously increasing as the over supply of money and credit and or the shortages

of food grains, agricultural inputes and industrial raw materials and machinery. When the consumer and fixed income earner expects a further rise in prices, he or she (gets rid of) exchanges money for goods rapidly as we have just seen in the rush for rice, oil, cloth, soap, baby food, jewellery, which increases demand further and pushes up prices. If the farmer expects the price of rice, wheat or cumbu to rise further, he will hold on to his stock in order to take advantage of the feuture higher price and in the process increase the shortage of the commodity which will in itself push up its price. In the case of the trader he too will increase his inventory in order to realise a higher future price and by his action in reducing the supply in the market causes an upward movement in prices. The industrialist who sees his profit margin shrinking due to the payment of increased DAs and rising costs of his inputs, tends to restrict his production to avoid these higher costs and reap the benefit of the higher future price for his product to which he himself has made a contribution. Above all an expectation of further price increases is a field day for the hoarders cum speculators cum black marketeers who stock-pile cement, steel, baby food, drugs, soap, houses, urban land, reduce their availability, raise thelr prices and make enormous profit. The Government's anti-inflationary measures should therefore be commended and supported because they stop people's expectation that prices are going to rise further and so prevent the operation of the cumulatire forces that I have just described making for continued inflation. In other words, with all their weakness, limitations and adhocness, the government's anti-inflationary measures are a necessary condition, an essential first step, in halting the inflationary spiral.

Fnrther Measures:

But they are not a sufficient condition, there must be other essential steps, to stop the calamitous price rise, stabilise prices and in the case of essential commodities at least bring about a fall in prices. And it is to these further components of the anti-inflationary package that I would like the workshop to address itself. They will be the practical outcome of this meeting and will constitute, I hope, the purpose of the 3 technical sessions following this inaugural. In this regard, I will as your president, merely indicate some of the other needed measures to arrest inflation and to turn back prices.

On the monetary fiscal side:

First there is the question of cutting back the supply of money by some agreed percentage. The present measures will reduce money stock in 2 years by some 4 per cent which by itself may be insufficient even to stabilise prices, because it can be made up by increased velocity of circulation of the 96 per cent left untouched. The academic economists have put forward a scheme for reducing the total money stock by 30 per cent which will result in a price decline of 20 per cent. This would call for a ceiling in future money supplies plus continued rationing of credit. There is also the index linking technique under which we would ride with the inflation. This question of money supply is one issue which may be examined.

Second there is the problem of the parallel economy. Here there are various instrumentalities that have been proposed. These include (a) the provision in the academic economists' scheme which allows the automatic stamping and conversion of up to Rs. 10,000 and above that subject to scrutiny by the income tax

authorities, (b) the straight demonetisation of the currency and the issue of a new revalorised rupee and (c) the free bond scheme involving the exchange of unaccounted money for bonds. Excessive and unnecessary controls also produce the base for black money and some rationalisation and streamlining of controls can help. I reckon that one third of our economy is under what is called the parallel economy operated by unaccounted money and this is an issue demanding our considered recomendation.

Third the issue of the restraining of the spending and speculative resources of farmers, particularly those with farms above 5 acres in areas of assured irrigation needs to be faced. The incomes of all other sectors, workers, industrialists, salaried personned, shareholders and self employed professionals have been in part immobilised. The question of widening the tax base to include agriculture and immobilise part of the windfall income of the rich farmers should be examined.

Fourth the question of austerity in both public and private consumption and administrative expenditures deserves serious attention. Also political subsidies, economies in defence expenditure (whtch on the contrary is to be increased by Rs. 95 crores in the supplementary budget) a reduction in all forms of public and private conspicuous consumption and the keeping down of budget deficits should be examined.

On the non-monetary side :

Fifth, one major instrument of stabllising the prices is through operating an effective public distribution system throngh which a minimum of 12 million tonnes and an optimum of 20 million tonnes of food grains is made available to the vulnerable section of our society. Once food grains are available at reasonable prices, other consumer prices will come into line. The issues here to discuss are the system of procurement, the level of procurement and procurement and issue prices.

Sixth the basic problem of increased food supply means improving the productive base of the small marginal and drought prone farmer, involving an overhaul of the irrigation map of the country and developing a time bound irrigation or the kharif belt of the country. The means of ensuring a long term increase in food grain output should be discussed.

Seventh there is the problem of the need to climb out of our industrial stagnation, to increase savings and revive investments in the core and essential goods sector. What are the immediate and long term measures needed for this purpose? The full utilisation of assets already created, a coordinated transport and coal policy, diversion of higher public savings to power, transport, fertilisers, and steel are some measures to be considered.

Eighth what is the kind of export-import policy that is needed to combat inflation?. The importance of generation of a real export surplus real in quantitative and not simply money terms—is accepted on all hands, but unless based on increased output, will simply enhance the regime of shortages in the country. There is a real question as to the role of imports in our over heated and scarcity laden economy. To what extent should we run a trade deficit in food grains, crudes, fertilizer edible oil etc., to combat inflation?

Ninth the problem of the non-use of our human resources demands attention. Here the questions to discuss include a long term wage and income policy, normal and mutually reinforcing industrial relations and peace and an educational system at the primary and adult education levels

which will make our work force increasingly skilful and innovative.

A Personal Oicision

Such then is the panorama and perspective of the inflation and the means of combatting it that is facing us. In addition to the analysis and a package of corrective measures that we will agree upon in this workshop, there is a personal response that each of us is called upon to make in this situation—a commitment not only to understand the causes of inflation, not only to point to what the government and others should do to correct the situation, but also to decide in what way each of us will respond in our personal and professional lives to the call for honesty, austerity, public spiritedness and civilised living that our country today demands of each of us. I have hopes that this workshop will help each of us to respond to this call for which we do not need any government rule or regulation but a simple personal decision. Let us make that decision.

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